Japanese economy
Is the package too little, too late?
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The core to the fore
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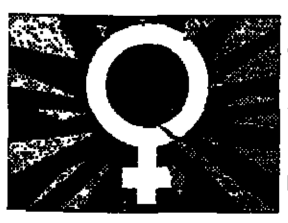

Sexual harassment
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TOMORROW'S Weekend FT
On patrol in the townships of death

FINANCIAL TIMES

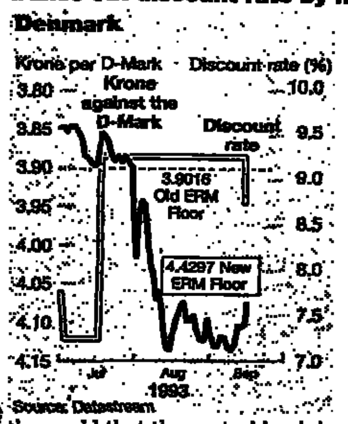
Europe's Business Newspaper — FRIDAY SEPTEMBER 17 1993 — D8523A

Surprise accord raises hopes for talks on Bosnia

Hopes that Bosnian peace talks could be reconvened soon were bolstered when the international mediators, Lord Owen and Mr Thorvald Stoltenberg, announced they had called the three warring parties to Sarajevo next Tuesday "to consider signing" an overall settlement. The move follows a surprise accord with the Bosnian Serbs signed by Bosnian president Alija Izetbegovic. The situation has been inflamed, however, by reports that Moslems massacred 30 Croat civilians on Wednesday. Page 3

Short-term borrowing attacked: The "innovative" practice of financing capital investment with short-term borrowings came under fire from Johann Wilhelm Gaddum, the vice-president elect of the Bundesbank. Page 16

Danes cut discount rate by half point



Source: Datastream

The Danish central bank cut its discount rate half a point to 8.75 per cent. The krone remained steady at DKr4.11 to the D-Mark even after the rate cut. "This cut in the discount rate is a visible signal to the rest of the world that the central bank is willing to lower rates," said a senior banker. Page 2

Balladur's plea: French premier Edouard Balladur urged industry to minimise job cuts and avoid using redundancies as the "easy solution" to economic troubles. Page 16

Commission cools debate: The European Commission mounted a damage limitation exercise after the call by president Jacques Delors for new rules to combat speculative attacks on European currencies. Page 16

Japanese trust banks act: Mitsubishi Trust and Banking and Sumitomo Trust and Banking, the Japanese trust banks, took advantage of the country's financial deregulation to establish securities subsidiaries. Page 17

Adviser blamed: Hungary's privatisation authority is striking Magyar Paribas, the local subsidiary of France's Paribas, off its list of advisers. Hungary's State Property Agency claimed Paribas had made "big mistakes" as consultant on the privatisation of a bakery. Page 17

Mother Teresa has surgery: Mother Teresa underwent surgery to clear a blocked heart vessel. The 83-year-old Roman Catholic nun was in stable condition after doctors in Calcutta inserted a catheter through an artery to open a blocked vessel on the left side of her heart.

De Klerk's objective: President F.W. de Klerk of South Africa is trying to persuade Chief Mangosuthu Buthelezi, leader of the mainly Zulu Inkatha Freedom party, to return to constitutional negotiations. Page 6

EC companies miss out: European companies are missing opportunities in the global investment boom in high-growth developing countries, according to a new report by the European Round Table, a club of 40 top industrialists. Page 4

Turner seeks compromise: Ted Turner, chairman of Turner Broadcasting System, said he was seeking a compromise with the French in a row over US programme content of his new satellite television channel. Page 20

Blow to shareholders: Japan's shareholders' rights movement suffered a setback when a Tokyo court ruled that directors of Nomura Securities were not required to reimburse the securities house for losses incurred in compensating favoured corporate clients for stock investment losses. Page 19

Greek sell-off delayed: Greece's privatisation programme has ground to a halt ahead of next month's election amid fears that if the socialists win it will be abandoned. Page 2

Cash distribution: General Dynamics, the US defence contractor which has been shrinking through the sale of large parts of its business, announced plans to distribute $372m of the disposal proceeds to its shareholders, the third such cash disbursement this year. Page 20

■ STOCK MARKET INDICES

FT-SE 100:	3003.9	(+14.5)
Yield	3.9	
FT-SE Eurotrack 100	1257.07	(-3.40)
FT-A All-Share	1493.42	(+0.3%)
Nikkei	20,502.15	(-445.64)
New York: lunchtime		
Dow Jones Ind Ave	3624.98	(-8.67)
S&P Composite	459.36	(-2.24)

■ US LUNCHTIME RATES

Federal Funds:	3%
3-mo Treas Bills: Yld	3.003%
Long Bond	103 3/32
Yield	6.005%

■ LONDON MONEY

3-mo Interbank	5 15/16	(same)
Liffe long gilt future:	Sep 112 7/16	(Sep 111 23/32)

■ NORTH SEA OIL (Argus)

Brent 15-day (Nov)	$16.01	(15.97)

■ Gold

New York Comex (Dec)	$354.7	(349.6)
London	$352.25	(347.6)

■ STERLING

New York lunchtime:		
$	1.532	
London:		
$	1.5335	(1.5515)
DM	2.4625	(2.4725)
FFr	8.6	(8.6225)
SFr	2.15	(2.155)
Y	160	(164.75)
£ Index	80.5	(81.2)

■ DOLLAR

New York lunchtime:		
DM	1.606	
FFr	5.599	
SFr	1.4023	
Y	104.65	
London:		
DM	1.6065	(1.593)
FFr	5.6075	(5.5575)
SFr	1.402	(1.3895)
Y	104.4	(106.25)
$ Index	64.2	(64.0)

Tokyo close Y 104.82

Austria	Sch30	Germany	DM3.20	Malta	Lm0.60	S.Arabia	SR11
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10
Belgium	BFr65	Hungary	Ft185	Neth	Fl 3.75	Slovakia	SK45
Bulgaria	Lw25.00	Iceland	IKr210	Nigeria	Naira45	Slovenia	SIT220
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00
Cyprus	C£1.00	Israel	Shk8.80	Oman	OR1.50	Spain	Pta210
Czech Rp	CZK45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.20
Egypt	E£4.50	Kuwait	Fils.600	Poland	Zl 22,000	Syria	S£50.00
Finland	FM12	Lebanon	US$1.25	Portugal	Es215	Tunisia	Din1.250
France	FFr9.00	Lux	LFr65	Qatar	QR12.00	Turkey	L8000
						UAE	Dh11.00

VW cancels finance deal of $860m for Skoda

Move threatens to worsen strained relations with Prague

By Christopher Parkes in Frankfurt

VOLKSWAGEN yesterday cancelled a complex DM1.4bn ($860m) investment financing package for Skoda, its Czech subsidiary, hours before the deal was due to be signed in London.

The move, which threatens to bring VW into conflict with international banks and worsen strained relations with the government of the Czech Republic, highlighted the intensity of the scramble to cut costs at the troubled automotive group.

The package, negotiated with the European Bank for Reconstruction and Development, the World Bank's International Finance Corporation, and a private banking consortium led by Dresdner Bank, was no longer needed, VW said.

The participating banks, stunned by the news, offered no comment, but were hoping for a full explanation over dinner at the Mirabelle restaurant last night, arranged by Dresdner Bank, and intended to celebrate the signing.

Mr Ferdinand Piëch, VW chairman, was understood to be attending. He is believed to have telephoned Mr Vaclav Klaus, the Czech prime minister, yesterday, to assure him that VW's commitment to Skoda remained unaltered by the decision.

It was not clear if the VW supervisory board, which must usually be consulted on important investment decisions, had been informed.

"It was an honest step, even though it was taken at short notice," said Mr Otto Ferdinand Wachs, a group spokesman. The company could have signed and then cancelled it, he added.

He credited Mr José Ignacio López de Arriortúa, VW's controversial production director, with improvements to manufacturing processes which had helped make the loan unnecessary.

"This is a positive move which will improve profitability both at Skoda and group level," Mr Wachs added.

Interim results of an investment review, due to be considered by the company's supervisory board in November, showed that productivity improvements at Skoda meant investment requirements would be "considerably lower" than thought, the company said in a statement.

Under current plans VW was expecting to spend a total of DM7bn at Skoda this decade, it added. It is understood that only around DM500m has so far been paid out this year. The planned total has been cut to around DM4bn.

The VW statement said further cuts lay ahead for other parts of the group, but Mr Wachs could offer no details, he said, because the review was incomplete.

A similar review last January resulted in a DM7bn cut in medium-term investment plans for the VW vehicles business. Spending for this year alone was halved to around DM6bn, and other investments were postponed.

The cancellation is likely to cause more unease in the German government. It has been disturbed by the threat of damage to the national reputation by the storm surrounding Mr Piëch and Mr López, who has been under criminal investigation on suspicions of industrial espionage against General Motors of the US for several months.

Mr Günter Rexrodt, economics minister, recently abandoned an attempt to broker peace between the two sides.

Earlier this week VW was obliged to provide an emergency cash injection of DM1.5bn for Seat, its Spanish subsidiary, after "unexpectedly" discovering that it was heading for a DM1.25bn loss this year. The discovery has dashed all hopes of the group's reaching break-even this year.

VW is already embroiled in a row with Prague after it announced an 8 per cent increase in Skoda prices in the Czech market last month.

Return to favour: Yegor Gaidar greeted by Boris Yeltsin at a meeting of Russia's presidential council — Reuter

Yeltsin reappoints Gaidar in boost for reform moves

By John Lloyd and Leyla Boulton in Moscow

MR YEGOR GAIDAR, the architect of Russia's economic reform, who resigned under pressure from parliament at the end of last year, is to rejoin the cabinet as a first deputy prime minister as the government acts to impose a tough package of spending cuts and tax rises.

President Boris Yeltsin announced the appointment, a strong boost to faltering economic reform and an equally big snub to parliament, as he visited an interior ministry troops division near Moscow.

Mr Yeltsin was quoted by the official news agency Tass as saying that "in this way the conflict between the deputy ministers Oleg Lobov and Boris Fyodorov will be decided".

Mr Lobov, who has been pressing a programme of state investment and controls on the president, in opposition to Mr Fyodorov's advocacy of strict macroeconomic controls and cuts in state expenditure, appears to be the main loser – and with him, the alternative economic strategy based on state credits and an end to voucher privatisation.

The decision to invite back Mr Gaidar, issued to the 37-year-old economist by Mr Viktor Chernomyrdin, the prime minister, was taken around the time of a visit to Moscow earlier this week by Mr Laurence Summers, the US Treasury undersecretary.

Mr Summers, who has been deeply concerned over the Russian reform progress, to which the Group of Seven governments had pledged a package of support worth $44bn, was said to be heartened by his visit. He hoped that the International Monetary Fund and World Bank lending programmes, suspended because of lack of progress on reform, would be resumed before the year-end.

The decision to bring back Mr Gaidar, whether or not taken under direct US/G7 pressure, is clearly meant as a signal that Russia remains committed to reform – and that Mr Yeltsin is willing to confront parliament in his struggle to replace the constitution and the economic system.

It is not clear, however, how Mr Gaidar will fit into the government structure. Those close to him say that he has already demanded that Mr Lobov, a former Communist party official with close links to Mr Yeltsin, should be fired. At the same time, senior officials in the finance ministry, Mr Fyodorov's base, cautioned last night that Mr Gaidar and Mr Fyodorov, although both radicals, could clash.

Hours before the appointment was announced, Mr Chernomyrdin had warned that the government would announce a package of cuts across all state spending, in what appears to be an effort to bring the faltering reform programme back on track.

Mr Chernomyrdin said the government "confronts a choice" between reasserting control over monetary policy, or plunging into ever higher budget deficits and inflation. "The top priority in these conditions is financial stabilisation."

Dismay at Japan's $58bn spending package

By William Dawkins in Tokyo

JAPAN'S new government yesterday announced Y6,150bn ($58bn) of government spending, deregulation and measures to pass on the rewards of the yen's strength to consumers.

The measures, the government's first big economic initiative, are designed to help pull the country back from the edge of recession. To widespread disappointment they fell short of proposing income tax cuts.

Business groups have urged tax reductions, but the seven-party coalition is divided on fiscal policy and the ministry of finance is unwilling to lose revenue. Tax reform will instead be studied by a government panel, due to report next year.

That brings to Y18,350bn the amount set aside so far this year to stimulate the flagging economy, after a Y13,200bn plan by the previous government in April. Most of that has yet to be spent.

Mr Morihiro Hosokawa, the prime minister, admitted that yesterday's measures were insufficient to revive the economy, but did not exclude further action. The yen rose against the dollar, while Tokyo stock prices fell sharply. The Nikkei average closed 445.64 points lower at 20,502.15.

The plans received a lukewarm reception from economic analysts. However, they received a surprisingly cordial response from the US, which has been urging Japan to stimulate the economy to restrict its record trade surplus. Mr Laurence Summers, the US Treasury undersecretary, who is visiting Tokyo, said he was pleased to see Mr Hosokawa introduce such measures so soon after taking office and hoped they would contribute to stimulating demand.

In London, British Treasury officials welcomed the measures to boost the economy and open markets, as well as recent reductions in market interest rates. They cautioned, though, that it was not clear that the measures would produce recovery.

Continued on Page 16
Details, Page 7

US Fed may act to assuage fears over monetary policy

By Michael Prowse in Washington

THE CHARGE that US monetary policy is too lax is likely to be taken seriously at next week's meeting of the Federal Reserve's policymaking open market committee, although the Fed may not yet be ready to raise short-term interest rates.

In an interview in the New York Times, Mr David Mullins, the Fed's vice-chairman, referred to concerns that excessive growth of narrow measures of the money supply was creating a bubble in share and bond prices. "That's one reason to be wary of being more accommodative," he said.

Mr Mullins appeared to be responding to a recent report by the shadow open market committee – a group of economists with leanings towards monetarism – arguing that double-digit growth of the monetary base was artificially boosting the prices of financial assets and, if not checked, would lead to a resurgence of consumer price inflation.

The federal funds rate is at its lowest level since the 1960s and has been close to zero in inflation-adjusted terms for at least a year.

"Bank reserves have grown at a 12.5 per cent average rate in the past two years," according to Mr Mickey Levy, chief economist at Nations Bank in New York and a member of the shadow open market committee. This has "fuelled the demand for financial assets, bidding up their prices".

There has been some evidence of a divergence in the performance of the financial and real economies. While share and bond prices have soared this year, real gross domestic product grew only 1.3 per cent at an annual rate in the first half.

Figures yesterday appeared consistent with a modest acceleration of growth in the second half to an annual rate of 2.5 per cent to 3 per cent. The Commerce Department said industrial production rose 0.2 per cent last month and by 4.2 per cent in the year to August. The merchandise trade deficit narrowed in July to $10.3bn, against $12.1bn in June, reflecting a bigger fall in imports than in exports.

Many Wall Street economists are sceptical about the reasoning of the shadow open market committee, pointing out that the relationship between growth of the monetary base (currency and bank reserves) and nominal income has been weak in the past.

Mr Will Brown, chief economist at J.P. Morgan, the New York bank, said the rise in prices of financial assets was merely a sign that a deliberatively stimulative monetary policy was working. Talk of a bubble made little sense because the valuation of assets was not yet out of line with economic fundamentals. A 6 per cent long bond yield, for example, was to be expected given the rate of inflation, he said.

Mr Brown and others conceded that the shadow open market committee conclusions were probably right. Monetary policy had been correct but it was now time to consider raising rates. He predicted that the Fed probably would raise short-term rates from 3 per cent to 3.5 per cent soon.

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Imperfect world of capital flows worries EC

By Our Foreign Staff

FOR EC governments and central banks battling with foreign exchange market turbulence, the increased integration of international capital markets is both good and bad news.

The positive aspect of the lowering of barriers between different markets is that governments have been turning to foreign investors to fund soaring budget deficits.

The bad news is that the greatly expanded size of foreign bond market holdings has been a significant factor behind currency unrest during the past year.

The potential disruptiveness of capital flows on the $1,000bn a day global foreign exchange market helps explain the sporadic calls for capital controls since the July/August crisis in the exchange rate mechanism (ERM).

Mr Jacques Delors, the EC Commission president, on Wednesday appeared to raise the possibility of partially re-introducing controls. Since the EC liberalised capital movements in 1990, much-expanded cross-border investment purchases have increased the share of foreign holdings in many countries' debt markets from 20 to 30 per cent. However, these funds can move out as well as in. An important reason behind upsets in the ERM has been international investors' off-loading weaker currencies in order to cover their positions in these countries' bond markets.

Many of these holdings represent relatively short-term speculative investments, which can be quickly switched between different currencies. Introducing controls on access to these markets could have a counter-productive effect by spurring international investors to shun currencies sealed off by capital barriers.

General scepticism about the wisdom of such proposals was yesterday summed up by an official at the Danish National Bank.

Denmark has put up with considerable speculative attacks against the krone during the past 12 months. But the official said: "Because capital markets are so integrated, our view is that capital controls are neither possible nor desirable."

Even after the forced widening of ERM fluctuation bands last month, worries about the volatility of these holdings continue to cast a shadow over EC monetary policies. Fears that non-resident investors will dump bonds have been one of the reasons preventing weaker currency countries from making rapid cuts in interest rates. France, Belgium and Denmark have all moved only cautiously to ease monetary policy since the end of July. They have avoided using the extra leeway to drift down against the D-Mark within the wider bands.

Another reason for prudence is the need to rebuild foreign exchange reserves depleted in July's unsuccessful defence of ERM parities.

France, which spent an estimated FFr330bn ($59bn) to defend the franc, still has negative net currency reserves, according to figures published yesterday by the Bank of France.

They show that the net deficit, which peaked at FFr176bn on August 5, was FFr90bn on September 9, an improvement from FFr104bn the previous week. Competition among EC countries to attract international savings into their bond markets has so far benefited above all Germany.

According to Bundesbank figures, non-residents channelled a record net DM257bn into German domestic bonds in the 12 months to end-June, of which DM171bn went into public sector bonds.

The Bundesbank's desire to maintain the D-Mark's international attractiveness has been a prime reason for its refusal to make faster cuts in short-term interest rates.

This strategy appears to have paid off.

Massive foreign inflows, financing a large proportion of the public sector deficit, have helped bring German bond market yields down to near post-war lows.

Foreigners held 26 per cent of total outstanding German public sector debt of DM1,350bn at the end of last year, against 21 per cent of the DM1,050bn debt total at end-1990.

In France, foreign investors have also considerably stepped up their debt holdings. According to estimates in Paris, non-resident holdings of French government bonds of more than seven years maturity rose to FFr305bn (27 per cent of total outstanding debt) in April this year from FFr137bn (17 per cent) at end-1990.

Foreign holdings of short-term French debt of five year maturity or less also rose strongly to FFr213bn (43 per cent of total) from FFr118bn (29 per cent) at end-1990.

On the Belgian bond market, rattled by speculative assaults on the Belgian franc, foreign investors are now interested mainly in selling short-term and medium-term bonds, according to Brussels dealers. Some, however, are reinvesting in longer-term debt instruments. Latest Belgian central bank figures show foreign holdings of medium- and long-term bonds in May 1993 totalled BFr301bn ($8.6bn), 11 per cent of the total, compared with BFr250bn, 17 per cent, in June 1992.

Some dealers believe foreigners' share of the market may now be below 10 per cent.

There have been similar stories of large foreign involvement in other countries' bond markets. In Denmark, foreign holdings accounted for 14 per cent of outstanding debt at the end of last year, against 8 per cent at end-1990.

In some recent government bond issues in the Netherlands, foreign investors have accounted for up to 90 per cent of sales - particularly for long-dated 30-year paper.

Overall, foreign investors accounted for 24 per cent of the Netherlands' total outstanding debt at the end of 1992, up from 16 per cent in 1987 and 23 per cent in 1990.

In the UK, which has attracted substantial inflows since the brightening of Britain's economic prospects earlier this year, dealers estimate that foreign investors have taken 20-40 per cent of government debt issues in recent months. The overall foreign-held component of outstanding UK government debt is now around 17 per cent.

The British monetary authorities, like their EC counterparts, know that foreign inflows may appear like a symbol of strength - but they can also be a source of vulnerability.

David Marsh in London, Andrew Hill in Brussels, Ronald van de Krol in Amsterdam, John Ridding in Paris

The ERM crisis shakeout: changes since July 30

	Exchange rates against the DM	Interest rates: basis points 3 month Eurocurrencies	Interest rates: basis points 10 year bonds
Germany		-19	-41
Belgium	-1.31%	+75	+2
Denmark	-4.94%	-750	-14
France	-2.06%	-162	-47
Italy	-4.28%	-37	-125
Netherlands	+0.27%	-15	-34
Spain	+4.14%	-156	-63
UK	-4.68%	-25	-28

Source: Datastream

Defiance over the role of Frankfurt

By David Waller in Frankfurt

WITH two weeks to go before he steps down as president of the Bundesbank, Mr Helmut Schlesinger yesterday painted a positive picture of the state of the German economy and the impact of the controversial monetary policy pursued by the German central bank over the past year.

Mr Schlesinger, who will chair his last meeting of the Bundesbank council next Thursday before he is succeeded by Mr Hans Tietmeyer at the beginning of next month, said he was sure that the low point of the German recession had been reached following the small 0.5 per cent growth in western German gross national product in the second quarter.

He predicted that pan-German gross domestic product for the year as whole would drop by 1.5 per cent, comprising a 2 per cent fall in the west offset by 6 to 7 per cent growth in the eastern Länder.

This was in line with internal Bundesbank assumptions which were made last year when formulating monetary policy, he said.

Mr Schlesinger, a 69-year-old Bavarian, took over from Mr Karl Otto Pöhl as president in the summer of 1991 after nearly 40 years working at the German central bank. The last year of his term has been highly controversial as Germany's interest rate policy - starting with the decision to raise rates last July - has prompted one crisis in European currency markets after another.

He was in defiant, *je ne regrette rien* frame of mind yesterday, restating his view that the currency turbulence of last September was caused by governments treating the ERM as if it were a fixed-rate system, ignoring the option to devalue. He said the recent widening of the bands in which ERM currencies were allowed to fluctuate was not the end of the ERM.

He also reiterated the message which accompanied the Bundesbank's cut in interest rates last week: that pressures leading to price rises were calming down and that the rate of growth in money supply, a key determinant of future inflation, was more subdued than in recent months when growth in broad money or M3 has exceeded the central bank's target range.

"The position is not satisfactory but we are moving in the right direction," he said. "Monetary conditions have to a large extent come back to normal."

He said that long-term capital market interest rates were "appropriate for the recessionary environment", hinting that further cuts in short-term interest rates are not to be expected soon.

FREED: Heinz Kessler (left) and Fritz Streletz received jail sentences yesterday but were let out pending appeal — Picture: AP

Border deaths defendants guilty

THE case billed as Germany's most spectacular trial since the Nuremberg Tribunal wound up yesterday with three second-level East German officials convicted for killings at the Cold War border to the west, agencies report from Berlin.

But the cancer-stricken former communist leader, Mr Erich Honecker, 81, was in Chilean exile and his security chief, Mr Erich Mielke, 85, was in a prison hospital when the 10-month proceedings ended.

Former Prime Minister Willi Stoph, the third ailing member of the National Defence Council who prosecutors said had ordered border guards to shoot to kill, was living at home.

Of the remaining defendants, former Defence Minister Heinz Kessler was sentenced to seven and a half years in jail, his deputy, Fritz Streletz, to five and a half years and Suhl district Communist party leader Hans Albrecht to four and a half years. Mr Kessler and Mr Streletz, who have spent 28 months in prison, were freed after the trial pending appeal. Mr Albrecht has been free on account of poor health. All had denied any wrongdoing.

As in the 1945-46 Nuremberg trial of Nazis, the court judged the leaders of a defunct state for human rights abuses according to a code that did not exist when the alleged crimes were committed.

The trial opened after earlier manslaughter convictions for individual border guards sparked off charges that authorities were punishing only the "little fish". Mr Honecker, whom the court released in January because of his terminal liver cancer, was overthrown in 1989.

Prosecutors originally picked out 13 deaths from among hundreds of border killings for manslaughter charges against the six original defendants. This was later narrowed down to seven cases.

Name trouble eases for former Yugoslav republic

Trade points way to Macedonian progress

By Kerin Hope, recently in Skopje

THE CLEAREST sign of improved relations between Macedonia and Greece was the appearance this summer of Greek brands of ice-cream at kiosks in Skopje, the Macedonian capital.

Until recently, no Greek exporter would risk being accused of unpatriotic behaviour by sending consumer goods to Macedonia. Dozens of joint ventures, set up by Greek companies when Macedonia was part of Yugoslavia, were frozen after it became independent in 1991.

The Greek government's objection to Macedonia's choice of name, on the grounds that it implies a territorial claim on the northern Greek province of Macedonia, resulted in an unofficial but damaging embargo on bilateral trade.

Greek insistence that the republic of Macedonia find a different name in order to win international recognition also soured relations with its EC partners.

However, the Greeks have become less intransigent, agreeing last month to hold direct talks with Macedonia, under UN auspices.

Whatever the outcome of the Greek general election on Oct 10, policy on Macedonia is unlikely to change markedly. If the opposition socialists come to power, they will, like the conservatives, refuse to budge on the name issue, while being willing to encourage better economic relations.

Macedonia has managed to shake off diplomatic and economic isolation by joining the United Nations under a temporary name, Former Yugoslav Republic of Macedonia (Fyrom), in April. It has since been recognised by more than 30 countries.

Banks abroad are now willing to extend credit to Macedonian companies. Foreign exchange reserves have tripled this year, to $130m, while the new Macedonian currency, the denar, has stabilised against the dollar and the D-mark.

Discussions with the International Monetary Fund on a stand-by loan are to begin soon.

Even so, the talks in New York, to start once the Greek election is over, must make substantive progress if Macedonia is to start pulling its economy into shape, according to Mr Stevo Crvenkovski, foreign minister.

"It's important to get agreement quickly on some practical things. The Greeks are our natural trading partners, so economic co-operation is important. So is movement of people," the minister said.

Since the name dispute erupted, Greece has granted very few entry visas to Macedonians.

In the old days, thousands of Macedonians used to head for the Aegean Sea, two hours' drive away, on a hot day. Now they are restricted to swimming in chilly Lake Ochrid.

The absence of both Macedonian and Serbian visitors is blamed for a steep decline in tourism to northern Greece, where the hoteliers' association recently appealed to the government for compensation.

However, Mr Crvenkovski is cautious about predicting a compromise on the name issue. Both sides *rejected a proposal* in June from Mr Cyrus Vance, the UN mediator, that Macedonia be recognised internationally as "Novamakedonija".

Both the Greek and Macedonian leaders will remain under pressure from their respective nationalist factions to make no concession over the name. But that would not affect the chances of reaching agreement on economic co-operation and confidence-building measures, according to officials in Skopje and Athens.

The Macedonians know that time is on their side. EC foreign ministers already talk about Macedonia, not Fyrom. If the Greeks persist in being difficult, Macedonia may simply ask the UN general assembly to be recognised under that name.

Treuhand offers jobs to striking miners

By Judy Dempsey in Berlin

THE Treuhand, the east German privatisation agency, is to offer jobs to hundreds of striking miners.

The miners have been on strike since April in protest at the Treuhand's decision to close loss-making potash mines in the state of Thuringia.

Mr Werner Bayreuthner, a senior Treuhand official, said the agency was close to reaching agreement with the government of Thuringia in which 380 jobs would be created. The move represents a climbdown by the Treuhand and the state of Thuringia, and could set a precedent for industries earmarked for closure or substantial job cuts.

The miners have not yet responded to the proposal.

The compromise follows a decision by the Treuhand to merge east Germany's Mitteldeutsche Kali and west Germany's Kali und Salz to reduce overcapacity in the potash industry.

The merger entailed closing down the Bischoferode mine. However, the Treuhand had agreed to preserve the 700 jobs for the two years. But miners from the region opposed the merger and insisted that Bischoferode be kept open.

Mr Bayreuthner said 200 jobs would be kept to maintain the closed mine, retraining schemes would be offered to 80, and 100 jobs would be guaranteed through companies investing in the region.

Fears grow that socialist victory will mean a reversal of policy

Election delays Greek sell-off

By Kerin Hope in Athens

GREECE'S privatisation programme has ground to a halt ahead of next month's election, amid fears that if the socialists come to power it will be immediately abandoned.

The programme, which was expected to raise more than Dr400bn ($1.72bn) by next spring, had started to pick up speed.

Despite fierce trade union resistence, legislation was passed during the summer permitting the partial privatisation of OTE, the state telecommunications monopoly, and the private operation of new power plants. A senior Greek official said yesterday that it would be impossible to keep the privatisation procedure alive during the election campaign.

"Potential bidders are not interested because of the uncertainty," he said.

Senior privatisation officials have already submitted their resignations.

The sale of a 35 per cent stake in OTE to an international telecoms operator, due to go through at the end of the year, is now in doubt.

The socialist Pasok party, which is ahead in the opinion polls, has made opposition to the sale an important election issue. The socialists are also against private power generation for all but small-scale projects to develop solar and wind energy resources.

The future of a $1.5bn project to build a new airport for Athens, awarded last month to a German consortium led by Hochtief, also looks uncertain.

At the very least, the start of construction will be delayed because the deal must be ratified by the incoming parliament.

However, the terms agreed by the government, which give the German partners a majority shareholding in a new company set up to build and manage the airport, would be subject to review if there was a change in government.

Socialist parliamentarians have already called for an investigation. They claim that there is a lack of transparency in the deal.

Procedures for the sale of two state-owned oil refineries, which are high on the government's list of priorities for disposal, have been frozen.

The bidding process for a series of casino licences, due to be awarded this year, is also on hold.

Observer, Page 15

Poster campaign prompts Aids furore

Charities attack Benetton

By Our Foreign Staff and Reuter

BENETTON, the Italian clothing company, came under fire from Aids welfare organisations in Europe yesterday for the images used in its latest advertising campaign, launched this week.

The French Association for the Fight against Aids said the photographs – which depict a human bottom, a male arm and a lower abdomen each stamped "HIV positive" in blue ink – evoked the Nazi practice of tattooing concentration camp inmates.

It said it had filed a civil complaint against Benetton in the French courts, demanding that it take down the posters and that it pay unspecified damages.

The British charity Acet (Aids Care Education and Training) also demanded the withdrawal of the adverts, which have appeared in double-page colour spreads in UK newspapers and on the French metro system.

"The image of branding when it comes to HIV/Aids is one we have all worked hard to get away from to reduce the stigma of Aids," said Mr Maurice Adams, executive director of Acet.

"I hope these offensive images will be withdrawn. If they consider this working for charity, then this kind of help we can do without," he added.

The Italian company is known as much for its shocking advertising as its colourful knitwear.

The Terrence Higgins Trust, the leading British Aids charity, would not comment on the photographs but welcomed the inclusion of the Aids national helpline number in the adverts.

Benetton, which has used photos of a newly-born baby, a man in a Christ-like pose moments before he died from Aids and a priest kissing a nun, defended the campaign.

The adverts "were metaphors for the more extensive branding practised throughout society towards those who are different," the company said in a statement from its Italian headquarters.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented by Edward Hugo, Managing Director. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International).
Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: J. Rolley, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

NEWS: EUROPE

Demise of worthless polluter sees break with communist economics

Bankruptcy law claims first victim

By Leyla Boulton in Moscow

RUSSIAN commercial history was made when Cellulose Plant No.2 in the Archangel region was declared not worth saving because there was "no demand for its output and it pollutes the environment".

This judgment by the local arbitration court made the state-owned plant the first to go bust under a pioneering bankruptcy law passed in April.

In debt to the tune of Rbs36m, assets valued at Rbs31m were ordered shared out among state-owned creditors ranging from the local power company, Archenergo, to a local bread supplier.

In southern Russia, a private food supplier called Don-Chance, which was owed Rbs2.46m for deliveries of sunflower oil, initiated bankruptcy proceedings against a private company called Diaton in the town of Volodga, whose shareholders included the local football team. Diaton, with total debts of Rbs50m, was also put into liquidation.

More than a dozen cases processed so far from Archangel in the far north to Sakhalin Island in the far east, show that the law, which is vital to market reforms, is gradually being applied despite a host of obstacles to it. The court records were made available to the Financial Times yesterday.

The biggest impediment to its widespread use is a dearth of qualified judges, managers and auditors to handle bankruptcy proceedings seven decades after capitalism was stamped out by the Bolshevik revolution.

In communist times, when money was cheap and everything was state-owned, debts did not matter. Even after market reforms were launched in January last year, many companies continued to supply each other with goods without demanding payment.

Partly as a result of tighter financial discipline being imposed by the government, that practice is now beginning to change, with many of the plaintiffs featuring power companies.

But when Irkusktenergo in Siberia initiated bankruptcy proceedings against the Bratsk timber company for not paying its bills, the judge fined the plaintiff after an auditors check found the timber company had plenty of money to pay its debts. The judge said the power company should have gone to court to recover debts instead of initiating bankruptcy proceedings.

Suchocka spells out successes to voters

By Anthony Robinson in Warsaw

Polish elections

POLAND'S outgoing government is passing on to its as yet unknown successor a better managed, more prosperous and more secure country than it inherited only 14 months ago, Ms Hanna Suchocka, the acting prime minister, declared yesterday.

But, in her valedictory message three days before Sunday's general elections, she warned that any deviation from strict controls on government spending or slowing down of privatisation would jeopardise post-communist Poland's gains. It would lead to higher inflation, slower growth and affect Poland's prospects for full entry into the EC and Nato, she added.

Speaking the day before the last Russian soldier was due to leave Polish soil, Ms Suchocka reminded Poles that four years ago the country was still occupied by thousands of Soviet troops and on the edge of hyper-inflation.

Since then the framework of a market economy had been put in place. She cited, among the achievements, the creation of an internally convertible currency.

With polls showing strong gains for left-wing parties catering to those who have gained least from a market democracy, Ms Suchocka singled out high unemployment as the main problem.

Bosnia peace hopes raised

By Frances Williams in Geneva and Gillian Tett in London

HOPES that Bosnian peace talks could be reconvened soon were bolstered yesterday when the international mediators, Lord Owen and Mr Thorvald Stoltenberg, announced they had called the three warring parties to Sarajevo next Tuesday "to consider signing" an overall peace settlement.

The move follows a surprise accord with the Bosnian Serbs signed yesterday by Bosnian President Alija Izetbegovic, which appears to mark a further step towards the break-up of the union of three ethnic mini-states proposed under the peace agreement.

The accord, which was signed for the Bosnian Serbs by Mr Momcilo Krajisnik, chairman of the Bosnian Serb assembly, provides for the three mini-states to hold a referendum within two years of the union's establishment to decide whether to remain part of Bosnia.

The Bosnian Serb and Bosnian Croat sides have made clear from the start of the 18-month civil war their wish to link with their "parent" states, and it is expected that they would attempt to secede soon.

But, as a sign of the confusion that dogs the process, the principles of the broader peace package drawn up during negotiations in Geneva in August, which stipulate that the other two republics must agree if a republic wants to secede, still apparently stand. Mr Izetbegovic finally refused to sign this agreement because his demands for extra territory were not met.

One western diplomat in Geneva yesterday suggested that Mr Izetbegovic may have agreed to the referendum proposal in the hope of softening Serb resistance to further territorial concessions. Mr John Mills, the mediators' spokesman, said yesterday's deal signalled the "additional flexibility" the mediators had sought before reconvening the peace talks, which broke up a fortnight ago.

However, President Izetbegovic, returning to Sarajevo from Geneva, said there had been no change in Moslem demands for a bigger share of the country when it was partitioned.

Conference sources warned that a peace deal was not yet assured. It remains unclear whether the Serbs or Croats have made any concessions to these demands, which include extra land around the north-west Moslem Bihac region and eastern enclaves, and access to the sea.

It is also clear that the eventual deal will be a legal minefield, with this week's agreements superimposed on the August package of constitutional principles, transitional arrangements and a still disputed map.

Other points in yesterday's agreement between the Bosnian government and Bosnian Serbs include:

■ A proviso that in the event of a break-up of the union, which could not take effect before the republics' boundaries were agreed, the Moslem republic would inherit Bosnia's UN seat and take possession of assets vested in the union.

■ A promise that both the Bosnian Moslem and Serb republic could have access to the sea.

■ A call for an end to hostilities between the Bosnian Serb and Moslems throughout Bosnia by Saturday noon, the release of detainees and unhindered access for relief convoys.

On Tuesday, Mr Izetbegovic signed a similar ceasefire accord with Croatian President Franjo Tudjman, which also sets out procedures for settling boundary issues.

But in spite of the agreement, fighting between Moslem and Croat forces continued to rage in Central Bosnia yesterday. The situation has been inflamed by new Croat and Moslem offensives and reports that Moslems had massacred 30 Croat civilians on Wednesday.

Associated Press

Bosnian negotiators, President Alija Izetbegovic (left) and Mohamad Filipovic, in Geneva yesterday

Romania hopeful on ties with Hungary

By Virginia Marsh in Bucharest

THE Romanian foreign minister, Mr Teodor Melescanu, yesterday said he believed differences with Hungary over a bilateral treaty could now be solved and that "real progress" had been made in talks with Mr Geza Jeszenszky, his Hungarian counterpart.

Earlier Mr Jeszenszky, the first senior member of the Hungarian government to make an official visit to Romania since 1990, said that, while he was hopeful relations would improve, many bilateral problems remained. He said treatment of the Hungarian minority in Romania was the most sensitive point.

Romania is home to 1.7m ethnic Hungarians, the majority of whom live in the western province of Transylvania, which was ruled by Hungary until 1918.

Mr Jeszenszky said the two countries should put their differences behind them. He said Romania's ethnic Hungarians had enriched the country and that their aspirations were in no way dangerous to the national majority.

Romanian nationalist parties, who hold 13 per cent of seats in parliament, have repeatedly accused the Hungarian minority of seeking the return of Transylvania to Hungary.

Mr Jeszenszky said it was difficult to understand why there was opposition to the reopening of a Hungarian consulate in the Transylvanian town of Cluj.

Weak Ukraine plays into Russia's hands

Economic union means giving Moscow control of many of the levers of power, writes John Lloyd

TUMBLING about in an economic and political free fall which offers little support for its 52m people, Ukraine still seeks, after two years of national independence, to discover a settled national identity.

The country's politically active population still tries to digest the shock of a decision – made a week ago at a Russian-Ukrainian presidential meeting in the Crimean resort of Massandra – to transfer the Black Sea Fleet from joint to wholly Russian control, to lease the main naval port of Sevastopol, and to return the 176 strategic nuclear missiles to Russia.

The deal – which President Boris Yeltsin of Russia has presented as a fact and President Leonid Kravchuk of Ukraine has insisted is merely proposed – would require, on Russia's part at least, the cancellation of Ukraine's $2.5bn (£1.62bn) debt for oil and gas, and the delivery of fuel for Ukraine's nuclear power stations. There would be also an agreed procedure on the future use and control of the missiles.

There were scattered demonstrations: Mr Vyacheslav Chornovil, head of the Rukh nationalist party, used the language of "betrayal". Yet, ridding itself of an expensive and obsolescent fleet and base, and missiles which Ukraine probably cannot fire and for which it has no doctrine determining at whom they should be fired, is probably not a gut issue for most thoughtful citizens. Larger matters, however, loom.

Next Tuesday, the Ukrainian parliament debates the Massandra accord and a future economic union within the Commonwealth of Independent States. Next Friday, Mr Kravchuk and his colleagues travel to Moscow to discuss just such a union, which Mr Viktor Chernomyrdin, the Russian prime minister, yesterday said would mean a centralisation of all monetary emission in the Russian central bank for all members. Certainly, if it were to function at all, a union would mean a subordination of many of the levers of economic policy to a central, inevitably Russian-dominated, control.

On the experience of Massandra, Ukraine will be in poor shape to strike a good deal. On his own admission, Mr Kravchuk was steamrollered into agreeing whatever he did agree. Mr Boghdan Kravchenko, head of a leading economic and training institute, said: "The leadership has lost faith in its ability to properly manage the country."

No wonder. Official analysis of the economy for the first half of this year describes a position which may be one of pre-collapse. Inflation hovers around 50 per cent a month; production of most goods, including food, continues to fall by 10-20 per cent; gross domestic product fell by 7 per cent over the first half of 1992. A budget which had a relatively modest deficit early this year has plunged in the last few months to one with a deficit of 10-12 per cent of GDP. In reality, the official forecast of a 12.3 per cent deficit by the year-end may be doubled. Privatisation, expected to bring in 650bn karbovantsi brought only 1.5bn - at today's exchange rate, less than £78,000.

The helpless contemplation of this decline has brought to the front rank of political life the representatives of the "pro-union" approach in Ukraine – a group whose present strength accounts for the "swing to the east" which Mr Kravchuk has evidently been taking. Its most prominent advocate in the cabinet is Mr Valentin Landik, a 47-year-old company boss from the eastern coal and steel city of Donetsk, now deputy prime minister in charge – significantly – of relations with the CIS countries.

'The political elite is not going to surrender our statehood. People are sacrificing a great deal in the present conditions but there is still a willingness to stick it out for independence'

"I want there to be integration between the CIS states. I want an economic union to be concluded. Why? Because the situation is getting worse. We can't sell our goods in the west because of bad quality – and thus we should trade our goods and co-operate with the east so we can go forward together," Mr Landik said in an interview.

But his conception of union is vague, reflecting both the lack of serious preparation given to the issue and to the riven politics of the state. As he admits, the parliament will debate the issue next Tuesday "and God knows what they will decide". He believes that "without an economic union the sovereignty of Ukraine cannot be safeguarded", reflecting the fears of industrialists that the fraying links with Russia must be restored if collapse is to be averted. Certainly, he sees a customs union as essential. He wants prices somehow to be brought into line and he hints that the Ukrainian bargaining position might be to try to secure an oil price of $50 a tonne, as against the agreement now in force which prices Russian oil at $90 a tonne, with full world prices next year. "World prices for oil is death for us," he says.

There are two signs of hope. The two prominent reformers who served in, then left government, Mr Viktor Pynzenyk and Mr Volodomyr Lanovoi, have either created or are creating economic institutes to further their pro-market ideas.

Privatisation, though meagre in its results, is still on the official agenda and large companies – including Mr Landik's former company, Nord – are transforming themselves into share companies.

In agriculture, always regarded as Ukraine's wealth, only a few thousand private farms have appeared. Mr Nigel Spooner, an adviser to the agriculture minister, says the government is now working on plans to introduce competition in the distributive part of the food chain, starting with vegetable depots and the shops which they supply.

As for the state and collective farms, Mr Spooner believes they should ultimately be privatised as large units, rather than be broken up.

As in Russia, the political stasis freezes everything. Everyone says elections must come next spring at the latest: and while the socialist grouping, representing the industrial interests of eastern Ukraine, may on present showing secure the largest bloc of seats, groupings like New Ukraine and others are now seeking and getting the backing of the new commercial interests to pursue market-oriented policies. A recent poll suggested more than 50 per cent of the population still wanted to take the capitalist road.

The bottom line is statehood. "The political elite is not going to surrender that," says Mr Kravchenko. "People are sacrificing a great deal in the present conditions, but there is still a willingness to stick it out to preserve independence."

That such an eventuality should even be mooted shows the depth of the Ukrainian crisis. But the best guess must still be that the Russian leadership's renewed will to dominate is not so strong as to force the issue, nor the Ukrainian leadership's loss of confidence so precipitous as to put statehood on any conceivable bargaining table.

NEWS: THE AMERICAS

Clinton takes popular road on health

By George Graham in Washington

PRESIDENT Bill Clinton yesterday invited 21 of the 700,000 people who have written to the White House about US health care to come to Washington for a citizens' forum.

Thus Mr Clinton has set about putting his campaigning skills at the service of governing, ahead of what is likely to be the most complex challenge of his presidency, reform of the US health care system.

Returning to a skill he perfected during his election campaign last year, the president yesterday used personal stories to humanise some of the main themes of the reform plan he will present in detail next Wednesday.

The tales – of struggling to pay for a relative's care, of being unable to change job for fear of losing health insurance, of being charged $2,407 for a pair of crutches – were all fuel to his fire.

Opinion polls suggest the Clinton administration has been successful in convincing people that the system needs reform. In a Wall Street Journal/NBC poll, out yesterday, 73 per cent said that US health care was a big problem.

Less successful, however, has been the effort to persuade people that they would benefit by Mr Clinton's proposed reforms. Most people are still fairly happy with their own health care and insurance coverage, and only 20 per cent in the poll thought they would be helped by Mr Clinton's plan. Even so, 55 per cent thought the country as a whole would be helped.

The White House's central message yesterday was the need to tackle insurance companies' reluctance to cover people who have suffered an illness or who have sick children or parents. Coverage is refused on the grounds of a pre-existing condition. Mr Clinton said the pre-existing condition was now "part of the everyday vocabulary of most working men and women in this country. . . if you have it, you either can't get health insurance or you can, never leave the job you're in."

But Mr Clinton also tackled head-on the issue likely to become one of the most controversial in his plan: the requirement that all businesses provide health insurance to their employees, paying at least 80 per cent of the costs. This mandate is the principal difference between the Clinton reform plan and proposals outlined by the Republicans this week.

Mr Clinton said that employers who did not provide health insurance to their workers were getting a "free ride" by using a health care system paid for by those who did.

The president added: "I don't want to pretend that this is all going to be easy, but it seems to me that it is a fair thing to say everyone in America should make some contribution to his or her own health insurance, and all employers should make some contribution."

Bill Clinton wants a better America: Were you charged $2,407 for a pair of crutches? Tell the president

Ford agrees labour pact with union

By Martin Dickson in New York

FORD Motor and the United Auto Workers union yesterday announced tentative agreement on a three-year labour contract in the US, paving the way for what may be tense contract negotiations between the union and troubled General Motors.

The UAW chose Ford as its first target in its contract negotiations with each of the big three Detroit motor manufacturers this autumn.

It will now try to impose the contract pattern reached with the target on the other two car manufacturers, Chrysler and GM. However, GM is struggling to stem losses in its US operations and has made clear it will be seeking substantial labour cost cuts.

The Ford agreement was reached after negotiations that ran almost 24 hours after the expiry on Tuesday night of the old three-year contract.

Company and union officials will not provide details until the pact is unveiled next Monday to local union leaders. However, it is believed to provide that workers hired in future will receive lower starting wages for a longer time, before reaching parity with veteran employees.

In many other respects the contract is similar to its predecessor, including its approach to the issues of health benefits, job security and restrictions on sub-contracting work to outsider suppliers.

Mr Jack Hall, Ford's chief negotiator, said some elements of the agreement would help the company with health care. Wall Street, he added, would regard the pact as fine. Mr Owen Bieber, president of the UAW, added that job security provisions had been improved.

Negotiations with GM are unlikely to reach a delicate stage for several weeks.

Big debt means strong medicine for voters

Bernard Simon finds a sombre mood among politicians in Canada's election campaign

CANADA'S unemployment rate is stuck above 11 per cent so it is hardly surprising that job-creation is every politician's favourite issue in the campaign for the October 25 general election.

What is surprising is that, in a country accustomed to a much government molly-coddling, politicians on all sides are tempering their promises of new jobs with a dose of fiscal restraint.

The first ten days of the campaign have shown that for all their concern at high unemployment, Canadians are aware of the constraints imposed by the towering debt amassed by the federal government and the ten provinces over the past two decades.

So, politicians are not only arguing about the type of jobs which should be created for the 1990s, but also questioning the role of government in creating them. Spreading the sombre message that Canadians should expect less, rather than more, from their governments would have been a sure way to lose votes in years gone by. But, this time, it seems to be doing the opposite.

Both the ruling Progressive Conservatives and the opposition Liberals have set specific targets for cutting the C$35.5bn (£18bn) federal budget deficit. They have promised to overhaul the country's generous but much-criticised social security and health care systems.

Ms Kim Campbell, the new prime minister, has vowed to eliminate the budget deficit without tax increases by 1998. She has yet to spell out however, how the pain would be spread.

Ms Campbell opened her campaign by cautioning that it might be several years before there was an appreciable dent in the jobless rate. In Toronto last week, she bluntly told unemployed construction workers that a Conservative government would not subsidise a new convention centre for the city. She said the jobs created by such make-work projects would last no more than a year or two, and do nothing for long-term competitiveness.

Despite her sombre message, Ms Campbell has dramatically revived her party's electoral fortunes.

The Tories had the support of only about one voter in five when Ms Campbell took over, as premier and party leader, from her unpopular predecessor, Mr Brian Mulroney, three months ago. However, according to an opinion poll in the Globe and Mail newspaper yesterday, the Tories have edged ahead of the opposition Liberals, with the support of 36 per cent of decided voters, the Liberals having 33 per cent.

Next most popular, with 11 per cent, is the populist Reform Party, which has been waging an even more aggressive crusade against big government from its base in western Canada.

By contrast, the interventionist New Democratic Party faces the prospect of losing more than half its 43 seats in the House of Commons. According to the poll out yesterday, the NDP has only 8 per cent of the national vote, two percentage points less than the separatist Bloc Quebecois in Quebec.

In their policy platform, released this week, the Liberals were careful to avoid extravagant claims of Ottawa's ability to spur economic growth.

The Liberal plan, which was described by party leader Mr Jean Chrétien as "realistic, compassionate and fiscally responsible", pledges a net reduction in government programmes of C$1.8bn over the next five years. Provided the economy accelerates, the Liberals aim to reduce the budget deficit from 5.2 per cent of gross domestic product to 3 per cent. They promise to create 50,000 new child-care places a year – but only if the economy has grown by at least 3 per cent in the previous year.

The Liberals aim to scrap the unpopular 7 per cent goods and services tax (GST) imposed by the Tories in 1991, butthey acknowledge that it would be necessary to find the equivalent revenues elsewhere.

It's a fair bet that at least some of the promises of fiscal restraint will be forgotten once the election is over. The Tories have a miserable record over the past nine years of sticking to their budget projections, and economists doubt their ability bring the deficit down to zero by 1998.

Also, no-one would be surprised if the Liberals were to keep the GST, and fail to meet their own deficit-cutting targets.

Even so, the emphasis on jobs and deficits means that, whichever party wins the election, Canadians and their governments are likely to be pre-occupied with domestic issues over the next few years. Many Canadians yearn for a bigger role on the international stage but the new government will have its hands full on the home front.

Agriculture reforms for Cuba

THE Cuban government has announced farm reforms to reduce state control over agriculture, AP reports from Mexico City.

In the Communist Party daily Granma, the government said it would set up co-operatives on state land and allowing farmers to share in their profits.

The move is the latest in a series of retreats from hardline socialist policy in Cuba, whose economy has shrunk by half since 1989, due to the loss of its socialist backers.

The country's Catholic bishops, meanwhile, challenged the government to introduce political as well as economic reforms in the bluntest church criticism in decades of President Fidel Castro's regime.

NEWS: WORLD TRADE

EC misses out on Asian boom in investment

By Frances Williams in Geneva

EUROPEAN companies are missing opportunities in the global investment boom in high-growth developing countries, according to a new report by the European Round Table, a club of 40 top industrialists.

The report shows that the share of EC companies in foreign direct investment in developing Asia, where the market is growing by 6.5 per cent annually, slipped from about 15 per cent in the mid-1980s to 12 per cent by the end of the decade.

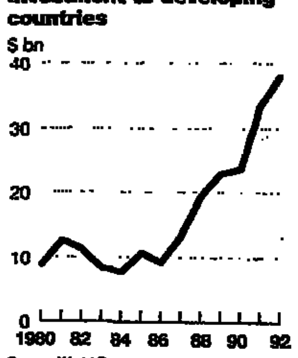
In Latin America, which is expanding by 4 per cent a year, the EC share dropped from 24 to 20 per cent over the same period. In Africa, with a market a sixth the size of Asia's and growing at half the pace, the European share has jumped from 17 to 40 per cent.

Japan is now the biggest foreign investor in developing countries, with a third of total overseas investment of nearly $40bn (£25.90bn) last year.

By implanting their industry in fast-growing economies, the Japanese are building a strategic competitive position.

The European Round Table – which includes the chief executives of such companies as Nestlé, Unilever and Daimler-Benz – argues that foreign direct investment brings benefits to both sides. FDI accounts for just 3 per cent of total investment in developing countries but it has, the report claims, bigger effects on output, jobs and productivity.

Flow of foreign direct investment to developing countries



Source: World Bank

Developing countries are increasingly competing for foreign direct investment by deregulating and liberalising their economies, the report says, though it urges further moves in this direction.

The round table adds its voice to calls for a Gatt for investment, a global agreement that would provide for transparency (clear rules and procedures), for rights of establishment by foreign companies and for parity of treatment with domestic companies (national treatment, in Gatt parlance).

Industrialists also favour rules binding on international corporations – for example, in policy conflicts between home and host governments.

European Industry: A partner of the developing world; from European Round Table, rue Guimard 15, 1040 Brussels; telephone: 32 2 511 5800; fax: 32 2 511 6577.

Battle for hearts and minds over Nafta

Nancy Dunne reports on guerrilla tactics versus White House pomp and press machine

GUERRILLA tactics by Greenpeace were swamped by the White House pomp in which Mr Clinton and three past US presidents this week endorsed the North American Free Trade Agreement.

But the environmental activists, who momentarily disrupted a House hearing to unfurl a 15 foot anti-Nafta banner, saw their stunt repeated again and again on evening news shows.

With dozens of similar exploits and clever strategic planning, grassroots organisations have succeed in fanning anti-Nafta sentiment into widespread public hostility against the pact with Canada and Mexico. A new Wall Street Journal poll, found opposition, at 36 per cent, had reached its highest level yet with only 25 per cent of those polled in favour of Nafta.

The continued economic sluggishness and the drumbeat of corporate layoff announcements have hurt the pact's chances and presented the administration with a formidable challenge. Fifty per cent of the Americans polled disagreed with the administration's argument that more jobs will be created than lost and 54 per cent said that wages would be forced downward so that US companies and workers could compete with Mexico.

KEY AMERICANS ON NAFTA: Al Gore (for it), Richard Gephardt (against it), Jimmy Carter (bashing Perot)

Pro-Nafta congressmen and senators have been morosely admitting the opposition's success in framing the debate against Nafta as a pact which would cost jobs.

But they took heart from Tuesday's presidential show: President Clinton's passionate insistence that the realities of the global marketplace be faced; President Carter's attack on Mr Ross Perot, the populist billionaire, as a demagogue with "unlimited financial resources,"; President Bush's praise of Mexican President Carlos Salinas; President Ford's warning that the country would be overrun by impoverished immigrants from the South if they are given no work at home.

"It was a revival," said Texas Congressman J.J. Pickle. "I think Nafta was born again."

To keep the pro-Nafta case before the public, President Clinton Wednesday took off for New Orleans and top officials in his administration fanned out on speaking tours across the country. Government agencies have been mobilised for the battle, given pro-Nafta literature and instructed to boost the pact in seminars and public forums.

Congressional committees have begun to examine the details in preparation for writing its implementing legislation, now expected on the Hill in November. It is believed this process may satisfy some of the Congressional doubters, who are demanding a "level playing field" and a speedup of Mexican tariff reductions.

Pro and anti-Nafta forces are keeping the fax lines burning. A Greenpeace release warned that two decades of work on environmental protection would be undermined if the pact is approved.

In response to similar charges by hundreds of grassroots environmental, citizen and labour groups, Vice president Al Gore, Senator Max Baucus and other lawmakers with green credentials, accompanied by six leaders of the largest national environmental groups who helped negotiate the environmental side pact, held a briefing to praise Nafta's environmental safeguards.

Seemingly unfazed by the Administration's Nafta's new show of life, the Citizens Trade Campaign, one of the umbrella opposition groups, called a press conference to "debunk" the Clinton Administration claim Nafta would create 200,000 jobs in the next five years.

Unmindful of a television camera, its leaders plotted new strategies: anti-Nafta resolution in 25 state legislatures; a letter writing campaign and more.

Notable by his absence from the fray has been Mr Richard Gephardt, the House Majority Leader, who is said to be close to moving from tentative to committed opposition. He will join forces with Congressman David Bonior, the majority whip, and three of Mr Bonior's lieutenants, leaving the House Speaker, Tom Foley, nearly alone on the defence, among the leadership.

"I do not think we have articulated well - the supporters of Nafta - the very positive and energetic reasons that can be offered for supporting this," Mr Foley acknowledged. Without Nafta, the US relationship with Mexico could "deteriorate," and "much of what people are worried about will happen, perhaps more speedily without Nafta than with it."

Russians seek EC link

RUSSIA'S national machine tool association is seeking to strengthen its ties with the west by joining Cecimo, the Brussels-based umbrella body for the twelve main producing countries of western Europe, reports Andrew Baxter.

If Russia's application is accepted, it would be the first former communist country to join Cecimo and would help Russia's 300 machine tool factories develop co-operation agreements and joint ventures with western Europe.

The campaign to join is being led by Mr Nikolai Panichev, a former Soviet minister for machine tools, who was recently chosen by the Russian producers to be president of their privately owned national association.

Treuhand looks east with expertise

By Judy Dempsey in Berlin

THE TREUHAND, the agency charged with privatising and restructuring east German industry, will be giving itself a new lease of life when it winds up its main operations in Berlin next year.

The Treuhand is expanding eastwards, in the former Soviet Union and the Baltic states. "We want to pass on our know-how and experience of privatisation to these countries," said Mr Klaus Müller, director of Treuhand Osteuropa Beratungsgesellschaft (TOB), a consultancy arm of the Treuhand.

TOB seems determined to compete, or co-operate, with other bodies – including the European Bank for Reconstruction and Development, and the European Investment Bank – active in eastern Europe and the former Soviet Union.

However, it may seem surprising that the Treuhand would be welcomed in these countries. Its shock privatisation programme in eastern Germany has been aimed at a radical restructuring of large enterprises resulting in massive unemployment.

"The unemployment factor is not an issue. Officials from eastern Europe and the Baltic states approached us in the first place," said Mr Müller. "They reckoned with our experience of quickly breaking down the giant Kombinate [east Germany's large enterprises], as well as preparing these plants for privatisation; they could learn from us."

With a small budget of DM30m (£12.1m) from the federal finance ministry, to which it is answerable, TOB has set up in Berlin a small unit of 40 specialists, and has already placed 70 consultants throughout eastern Europe, the former Soviet Union and the Baltic states. It is the principal advisor on privatisation to the Estonian government.

But, in a region inundated with advisors and consultants on privatisation since the collapse of the Berlin Wall nearly three years ago, is there room for TOB?

An Estonian diplomat has a clear view: "Look, whatever the mess the eastern German economy is in at the moment, we know that Germany will make it with unification because they will try and develope a *mittelstand* [small and medium-sized companies]. We want TOB to teach us how to do that."

- Berliner Kraft und Licht, Berlin's main utility company, is set to gain a foothold in Russia's electricity industry after an agreement to advise the Russian Federation on restructuring its energy sector.

Over the next five years, Bewag, as the company is known, will advise Mosenergo, the oldest and largest of Russia's utilities, on upgrading and modernising its 22 power-generation plants which have a total capacity of 14,000MW.

Italian exports to China set to double

By Robert Graham in Rome

ITALIAN exports to China this year are expected to nearly double and top L4,000bn (£1.7bn), according to Mr Paolo Baratta, Italian trade minister.

Seven contracts totalling $470m (£303m) were signed yesterday with Italian companies.

The contracts were signed in the presence of Ms Wu Yi, Chinese foreign trade minister, at the end of a visit to Italy.

The contracts ranged from Snamprogetti building a fertiliser plant at Donfang in Haiwan province to Danieli constructing a specialised steel plant for Laiwn Iron and Steel in Shandong province, financed by the Asian Development Bank.

In the first seven months of this year, Italian exports to China reached L1,238bn, compared to L1,842bn for the whole of 1992. Italy is now the second largest European exporter to China after Germany.

Mr Baratta said Italy's share of Chinese exports was set to rise this year from 2.1 per cent to nearly 3 per cent. Much of the Italian export drive is concentrated in the machine tools and engineering goods sector, especially textiles machinery.

LOCALISING THE MULTINATIONAL

'Globalisation' Holds the Key

The sudden jump in the yen's exchange value has caused problems for most major Japanese manufacturers. For diversified heavy equipment and electronics maker Hitachi, Ltd. however, these difficulties are providing the momentum for expanding its global manufacturing and marketing base. Hitachi president Tsutomu Kanai explains.

By Russell McCulloch

Mr. Tsutomu Kanai, *President, Hitachi, Ltd.*

McCulloch: The chief concern of most major Japanese manufacturing companies at present is the recent rise in the yen's value. Do you share this concern?

Kanai: I have to agree that the yen's recent appreciation against the US dollar and other major currencies is having a strong impact on Hitachi's business. Of course, we can take a long-term view and say that a strong currency is a reflection of the fundamental strength of the Japanese economy and Japanese business and, as such, should be welcomed.

But on the other hand, manufacturers such as Hitachi have no effective way to cope with short-term increases in currency values. The yen has risen about 20 per cent in value against the dollar during the past six months. Rises of this speed and magnitude can turn a profitable export business into an unprofitable one in a short period and make it nearly impossible to formulate long-term investment plans either at home or overseas.

McCulloch: How is Hitachi adjusting to this situation?

Kanai: Obviously, a strong yen means that we earn less in our currency for products exported from Japan that are sold in dollars or other currencies. We can offset this by raising the price of those products where we enjoy a leading market position. For example, in the manufacture of 16-megabit DRAMs, in Thin Film Transistor (TFT) liquid crystal displays, and in large size high-resolution display screens, Hitachi has a strong market presence and price increases can compensate.

But raising prices is not the preferred option. This causes difficulties for our foreign customers and, in any case, can only be applied to a comparatively narrow spread of our products and services. Instead, we are attempting to make the strong currency work to our advantage by sourcing more components outside of Japan and by raising the portion of overseas production in our total sales.

McCulloch: Can you give some examples?

Kanai: In our efforts to source more components and raw materials outside of Japan, Hitachi recently established an "Asia Procurement Promotion Centre" whose task is to locate suppliers of parts in countries such as Singapore and Hong Kong that can provide our manufacturing operations —both inside and outside of Japan— with components.

'Procurement Promotion Centre' Established

However, international procurement does not simply mean shopping: quite often the component manufacturers must be shown how to redesign their parts to meet our specific needs and how to improve quality to meet Hitachi's high standards. It is the task of this Centre to also provide technical support to those suppliers to help them meet our requirements.

With regard to raising the overseas portion of our business, we have been working towards this goal for many years. Don't forget that the latest increase in the yen's value followed an earlier and much more drastic appreciation between 1985 and 1988 and in many respects the strategy we adopted to cope with that situation is just as appropriate today.

During that period when the yen rose in value from around 200 yen=US$1 to around 120 yen=US$1, Hitachi's overseas production doubled in five years, to a value of 600,000 million yen and has come to account for 8 per cent of total sales.

The gradual shift to overseas production has also made us less export-oriented. At the peak in 1984, exports accounted for some 37 per cent of Hitachi's non-consolidated sales but now this portion has fallen to around 21 per cent. On the other hand, as I said earlier, overseas production now accounts for 8 per cent of total consolidated sales. In other words, about one-third of our overseas business is overseas production. This represents a major shift in focus over the last decade.

McCulloch: Have you set targets for the ratio of domestic-to-foreign production in overseas sales?

Kanai: Our hope is that within the portion of overseas business, off-shore production and exports from Japan will be roughly equal. It is clear, in the area of audio-visual equipment and appliances for example, that continuing to manufacture in Japan is not competitive, and over recent years we have shifted production of some of these consumer items to our plants in Singapore and Malaysia. We have also established companies in Indonesia to make consumer appliances and in China to manufacture compressors for air-conditioners.

New Compressor Venture Launched

Last August, we announced a plan to establish a new company in Thailand, called Hitachi Compressor (Thailand) Ltd., and build a new plant near Ayutthaya north of Bangkok to manufacture compressors for refrigerators. We expect that the new plant will be commissioned by April 1995. At present, these compressors are only manufactured at our plant in Tochigi Prefecture north of Tokyo.

But you must remember that raising the level of off-shore production has two sides. We must also consider the position of our employees and plants in Japan. It is important that we restructure our domestic operations— for example, to shift production to more higher value-added and technically sophisticated products—in tandem with raising off-shore output. Restructuring in this manner cannot be achieved quickly, but we are determined to realise our goal as soon as possible.

McCulloch: What you are saying is that Hitachi must become a more globally-oriented company if it is to continue to expand.

Kanai: Precisely. These overseas subsidiaries are not merely production bases but are enterprises operating with a high degree of independence. In other words, we encourage them to become involved not only in manufacturing but in design, sales and research and development. For example in the US, a portion of the ICs marketed by Hitachi America, Ltd. are produced locally by Hitachi Semiconductor (America) Inc. And, in the future, a number of these ICs will be designed locally by Hitachi Micro Systems Inc.

Hitachi is also actively entering partnerships with foreign manufacturers to strengthen international ties in production and sales. For example, earlier this year we reached an "original equipment manufacturer" (OEM) agreement with IBM to market three types of personal computers in Japan.

OEM Agreements Reached

On the other hand, we are also supplying mainframe computers to Germany's Comparex and Italy's Olivetti on an OEM basis and have licensed our 1-megabit and 4-megabit DRAM technology to Goldstar Electron of Korea.

If our plans to internationalise Hitachi's operations through global partnerships work out, the number of different markets in which we are seen to do business as insiders will grow larger and larger. This will make us truly a global corporation and this is what I am looking forward to.

McCulloch: Does R&D have a place in Hitachi's "globalisation" programme or will this continue to be concentrated in Japan?

Kanai: I believe that foreign input in our R&D programmes is not only desirable but crucial. As you know, since 1989 Hitachi has established seven overseas R&D bases including Dublin, Düsseldorf and Milan and these are helping to greatly further our level of basic research. These have been responsible for some remarkable technological breakthroughs such as the development of a single-electron memory device which we developed jointly with Cambridge University.

But while we cannot expect the commercial application of these devices to be possible before the end of the decade, some results of our international collaborative R&D efforts are already being seen.

International Input in Basic R&D Crucial

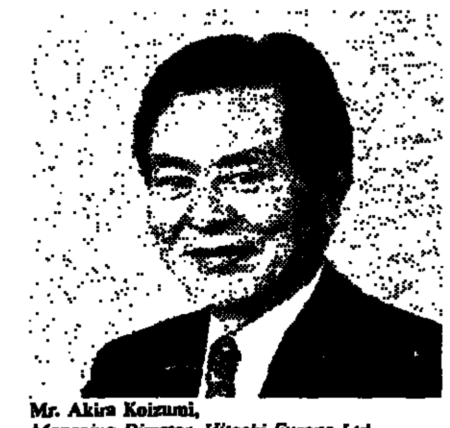
For example, since 1991 we have been working with Hewlett-Packard (U.K.) to develop an artificial intelligence software program—called Object IQ—for use in computer workstations. This program, which makes it possible to apply the powers of human intelligence via computer, was first incorporated in Hitachi's 3050 series workstations in 1991 and in May last year in the HP RISC 9000 series. In March this year, we received an order for about 5,000 of these software packages from Belgium's Kredietbank, which will use the software to develop a fund investment system.

McCulloch: "Globalisation" today also involves consideration of the global environment. What are Hitachi's policies regarding environmental protection and resource conservation?

Kanai: Among Japanese manufacturing corporations I believe that Hitachi is one of the most active in the area of environmental protection. Back in 1991 we established the Global Resource, Environment & Energy System Centre—the GREEN Centre —to conduct research into environmental preservation technologies. In December 1991 the US Environmental Protection Agency awarded Hitachi with the EPA Stratospheric Ozone Protection Award for our contribution to protecting the ozone layer.

Our environmental protection policy is two-pronged. One is to ensure that our manufacturing processes do not harm the environment. The other is to ensure that our products themselves do not damage the environment, and in both categories Hitachi is working hard to achieve these objectives. For example, by the end of this year we will have eliminated the use of CFCs as a cleaning agent in our semiconductor plants. The compressors made at our new plant in Thailand will comply with the Montreal Protocol, the international agreement to end the use of CFCs in cooling systems by the end of 1995.

'Localisation' brings success in Europe



Mr. Akira Koizumi,
Managing Director, Hitachi Europe Ltd., Director, Hitachi Ltd.

To succeed on a global scale, a corporation must grow strong business offshoots, worldwide, and I believe it will prove difficult to find better examples than Hitachi's span of operations in the UK and on the Continent. These are truly European businesses with all the principal functions of product design, production and marketing undertaken locally.

Hand in hand with our aim to provide a "total" European solution which meets our customers' requirements based on the needs of the local markets, we are also buying high-quality European materials and products for use in Europe, Japan and elsewhere. This high degree of "localisation" effectively dispels any suggestion that we exist to sell products designed and developed in Japan.

The breadth of Hitachi's investment and activity is the true measure of our commitment to Europe and includes a semiconductor plant near Munich in Germany, a consumer products factory at Hirwaun in Wales and a computer products plant near Orleans in France. We are also engaged in the production of air conditioning equipment near Barcelona in Spain. European staff make up more than 95 per cent of the workforce in Hitachi's direct subsidiary operations throughout Europe.

But that's not the complete picture: The aforementioned operations together with our other factories, laboratories and offices throughout Europe are complemented by a deep involvement in local community affairs and it would be difficult to overstate the importance we place on providing help and support for worthwhile causes in a variety of ways.

While it is true that the appreciation of the Japanese yen and the paramount need to make our products competitive led us to invest heavily in Europe, our goal has always been more than simply market share. The main objective is to improve the quality of our business operations and to make a tangible contribution to the future needs of customers and the communities we serve.

R&D will always remain the bedrock of our success. Here at Hitachi Europe Ltd., for example, not only are we investing in collaborative research, but more importantly, we are ensuring that discoveries made by European researchers remain the intellectual property of Europe.

We have already achieved some stunning breakthroughs: In collaboration with the Cavendish Laboratory at Cambridge University, we have demonstrated the world's first "Single Electron Memory" in the order of 64Gb or 1Tb DRAM. This paves the way for enormously large-capacity, high-speed semiconductor memory which will make possible a desktop or even palm-held computer able to provide high-quality, 3-D dynamic graphics, or for that matter, even virtual reality. This breakthrough should take the semiconductor industry into the 21st Century.

Working with Trinity College, Dublin, we have developed an artificial retina that can recognise moving or partly-obscured objects that will, for instance, enable a fruit picking robot to recognise fruit that is partly hidden by leaves.

While Hitachi's place is at the heart of the communities it serves, we are already at the frontiers of tomorrow's world.

HITACHI

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PLO to set up Palestinian police force

First fruits of peace agreement appear

By Mark Nicholson in Washington and Roger Matthews in London

THE first fruits of the agreement signed this week between Israel and the Palestine Liberation Organisation began to emerge yesterday.

Mr Yassir Arafat, the PLO chairman, flew to Egypt for talks on setting up a Palestinian police force, an Israeli team made plans to visit Tunis for talks on refugees, and the US confirmed that it would release $30m in security assistance to Jordan which it had blocked since the Gulf war.

The establishment of Palestinian police units to take responsibility for security in the Gaza Strip and in Jericho after the first stage of Israeli troop redeployment is one of the main priorities for the PLO.

Mr Yitzhak Rabin, Israel's prime minister, stressed on Tuesday that he would judge the PLO commitment to peace on its ability to end violence in the occupied territories.

The PLO is expected to hold talks with Hamas, its main rival in the territories which has opposed the peace process, in Yemen later this month. There has been no indication yet from Hamas leaders they are prepared to halt attacks on Israeli forces in the West Bank and Gaza, even after the troops have withdrawn from the main areas of population.

Mr Arafat said after talks in Alexandria yesterday with President Hosni Mubarak that he was grateful for Egyptian assistance in training a police force and other professionals. He also described Egypt as the principal architect of the plan to introduce limited Palestinian autonomy first to Gaza and Jericho, asserting that Mr Mubarak had first put the idea to Mr Rabin when the two men met in April.

"It would be unjust to say that Egypt played a role. Egypt was more than a participant in what we achieved. It was a complete and full partner," said Mr Arafat. His statement followed criticism in Cairo newspapers that Mr Arafat had not mentioned Egypt's role during his speech at the White House on Monday.

Mr Amr Musa, the Egyptian foreign minister, said the talks had also focused on convening committees to flesh out the peace pact and arrangements to be taken before the actual transfer of authority from Israelis to Palestinians.

"We discussed certain steps such as negotiations on the withdrawal of Israeli forces from Jericho and Gaza, the committees that will prepare for elections there, and the arrangements and co-ordination with Egypt and Jordan concerning the return of displaced people and matters pertaining to the established administration," he added.

In Amman yesterday officials expressed their satisfaction at the US decision to release the $30m in blocked aid. The released funds comprise $15m in economic support, $9m in military aid, $500,000 for military training and the remaining $5.5m for general projects.

The decision also reflected US satisfaction at Jordan's improved participation in the imposition of sanctions against the Iraqi regime of President Saddam Hussein.

US officials said yesterday they were examining other ways of pushing forward the process, including convening a meeting of potential donors to back the Israel-PLO accord.

The State Department on Wednesday hosted a day-long meeting with senior officials from the White House, National Security Council and US Agency for International Development to discuss a possible aid summit.

President Bill Clinton also made a 40-minute telephone call to President Hafez al-Assad of Syria to assure him of US support for an eventual Israel-Syria deal. He also urged Mr Assad to rein in "rejectionist" Palestinian opposition to the PLO-Israeli accord. At least 10 rejectionist groups are based in Damascus.

Israel confirmed yesterday that it was sending officials to Tunis for talks on Palestinian refugees. The visit is intended primarily to prepare for next month's multilateral round of talks on refugee issues which were scheduled to run in parallel with main bilateral peace talks in Washington.

Jordan also yesterday began asking Palestinians living in the country illegally to register with the police. The measure appeared to apply to residents of the West Bank and Gaza who came to Jordan on temporary visits. Most of them have Jordanian passports but are limited to one-month stays in the kingdom.

"This is only a routine measure to allow them to rectify (the status of) their stay," said a Jordanian official. "We will not take any action against anyone."

Associated Press

Palestinian policemen in training yesterday. They hold the key to whether the PLO can end violence in Gaza and the West Bank

De Klerk tries for special deal with Buthelezi

By Patti Waldmeir in Johannesburg

THE South African government was last night struggling to persuade Chief Mangosuthu Buthelezi, leader of the mainly Zulu Inkatha Freedom Party, to return to constitutional negotiations after a three-month absence.

President F W de Klerk and most of his cabinet met Chief Buthelezi and senior officials of Inkatha and the KwaZulu black homeland whose government Chief Buthelezi leads.

Government officials said they would offer the Inkatha leader special powers for Natal province, his political base, including control of an autonomous police force as well as possibly a limited military force or home guard. Natal may be allowed to adopt its own regional constitution before national elections next year, though this document would have to conform to the national constitution now under debate in multi-party democracy talks.

Government officials believe it is essential that Chief Buthelezi accept the constitutional deal which will eventually emerge from these talks. This could be achieved without his party returning to the multi-party table. The Inkatha leader has recently returned from Germany and the UK where he came under heavy pressure to moderate his demand for autonomy in Natal.

Officials played down expectations of a breakthrough at last night's talks, but said they hoped to lay the basis for an eventual deal.

Meanwhile an official of the African National Congress said the ANC president, Mr Nelson Mandela, would ask the United Nations to remove sanctions against South Africa when he addresses the General Assembly next week.

Mr Stanley Mabizela said Mr Mandela would call for the repeal of all remaining sanctions except those against arms sales. Previously, ANC officials had insisted that the international oil embargo must also remain.

Parliament yesterday began debate on the first of four transition laws that will give blacks a share of power for the first time.

Strong growth in Nigeria forecast

By Michael Holman in London

A BULLISH appraisal of Nigeria's prospects by a leading research firm forecasts steady economic growth, rising oil output and a return to civilian rule next year.

A report published today by the Economist Intelligence Unit (EIU) predicts that Nigeria's oil production will rise from about 2m barrels per day now to 2.5m by the end of the decade.

Annual real GDP growth will stay above 4.5 per cent over the same period, the London-based research firm forecasts.

The study expects the military-backed interim administration, which took office last month following the annulment of the June presidential poll, to fulfil its pledge to hold fresh elections next year and hand over to a civilian government. "Short-term volatility should not cloud what is a fundamentally optimistic prognosis in the long-term, with the establishment of a stable government committed to an open economy," says the report.

The next administration will have little room for manoeuvre in its economic policy, it argues, and will be obliged to implement lapsed economic reforms and enforce "disciplined and transparent management of the public finances".

Nigeria "desperately" needs to reschedule its external debt, which by end-1992 was $29bn, calculates the EIU study, with service payments "roughly one third of all foreign currency earnings." But rescheduling will not take place, the report continues, "until the government demonstrates its intention to adhere to an adjustment programme" which wins International Monetary Fund approval.

One essential condition, says the report, is the removal of the subsidy on domestic fuel which accounted for more than half the federal government's recurrent expenditure in 1992.

Nigeria to 2000: After the Generals? £215/$450 Economist Intelligence Unit, 40 Duke Street, London W1A 1DW. Tel: 071 830 3000 Fax 071 491 2107

NEWS IN BRIEF

Britain to hold talks with Iran

BRITAIN is sending a senior diplomat to Tehran to discuss the dispute over author Salman Rushdie and other issues, Reuter reports from London.

The foreign office said Sir Michael Burton, assistant undersecretary for the Middle East, would go to Iran today.

Iranian Foreign Minister Ali Akbar Velayati said last month that Tehran and London were holding talks to upgrade diplomatic relations, currently at the chargé d'affaires level but a British official cautioned against expecting any breakthrough.

Franc denial

The governor of the Central Bank of Central African States (BEAC) yesterday denied reports that his bank would no longer accept CFA franc notes issued by its West African equivalent, Reuter reports from Yaounde.

Both banks decided at the beginning of August to ban the export of CFA notes and stop buying them back from banks outside the zone, in a bid to halt massive capital flight from franc zone countries.

Second vote

Moroccans vote again today to elect 111 members of parliament after an earlier vote for the other 222 members failed to produce a majority for any party, Reuter reports from Rabat.

The indirect vote will select one third of the Chamber of Representatives which is due to meet for the first time next month for a six-year mandate.

Taiwan eases monetary stance

By Dennis Engbarth in Taipei

TAIWAN'S central bank has lowered the reserve to deposit ratio in a move to lower interest rates and spur the economy without reigniting inflation.

The central bank lowered the reserve against deposit ratio for current and savings accounts by a full percentage point and the ratios for deposits by 0.75 percentage points. This effectively lowers the cost of capital for the island's financial institutions, particularly for private sector banks.

It is the latest step in an expansionary credit policy and economic revitalisation announced by the government in July. Professor Hua Ming-shu of the banking department of Taipei's National Chengchi University said single-digit growth in money supply since the beginning of 1993 illustrated the lack of vitality in the island's economy.

Official growth forecasts have been reduced from 7 per cent to 6.1 per cent this month. High lending rates have been important in discouraging local investors, says Mr Hua.

The central bank began efforts to encourage local banks to reduce rates on July 30 by lowering the interest rate for secured finance from 6.625 per cent to 6.125 per cent. The bank also released NT$10bn in savings funds each month to push down lending rates. But local banks followed with only minor cuts.

Earlier this month, central bank officials asked the three major state-owned commercial banks – the Hua Nan Commercial Bank, the Chang Hwa Commercial Bank and the First Commercial Bank – to cut lending rates.

UN imposes sanctions on Angolan rebels

By Michael Littlejohns in New York

THE United Nations Security Council yesterday imposed an arms and oil embargo on the Angolan rebel movement, Unita, for its refusal to abide by the terms of a collapsed 1991 peace agreement.

But it delayed the application of the largely symbolic embargo for 10 days to see if fresh peace talks can be convened in the meantime.

The council threatened further sanctions if civil war between Unita, led by Dr Jonas Savimbi, and Angolan government forces has not ended by November 1. These could include a trade ban and travel restrictions.

The interim measure is expected to have limited effect because Unita has large stores of armaments and Angola produces oil in Cabinda. But the UN action could deter countries like neighbouring Zaire from supporting Dr Savimbi.

Mr Boutros Boutros Ghali, the UN secretary-general, estimates that more than 1,000 Angolans are dying daily in the war or from its effects – the largest death toll in any current conflict.

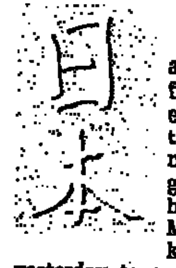
Mr Venancio de Moura, the Angolan foreign minister, told the security council that the situation in Cuito, which has been under siege for eight months, was so desperate that people were eating human flesh to survive. He accused Unita of "horrendous massacres" and urged the council to impose mandatory sanctions to force the rebels into negotiations.

Dr Savimbi submitted peace proposals last Monday that would establish a ceasefire beginning in a week, but his forces continue to shell Cuito. They are estimated to control all but one-fifth of the country.

The UN arranged and monitored elections last year which it hoped would establish a popular government and end the carnage. But Dr Savimbi rejected the outcome which gave victory to President José Eduardo dos Santos's MPLA party, alleging widespread fraud.

Hosakawa's first economic package fails to excite

William Dawkins examines Japan's Y6,150bn stimulatory plan and what it is likely to achieve

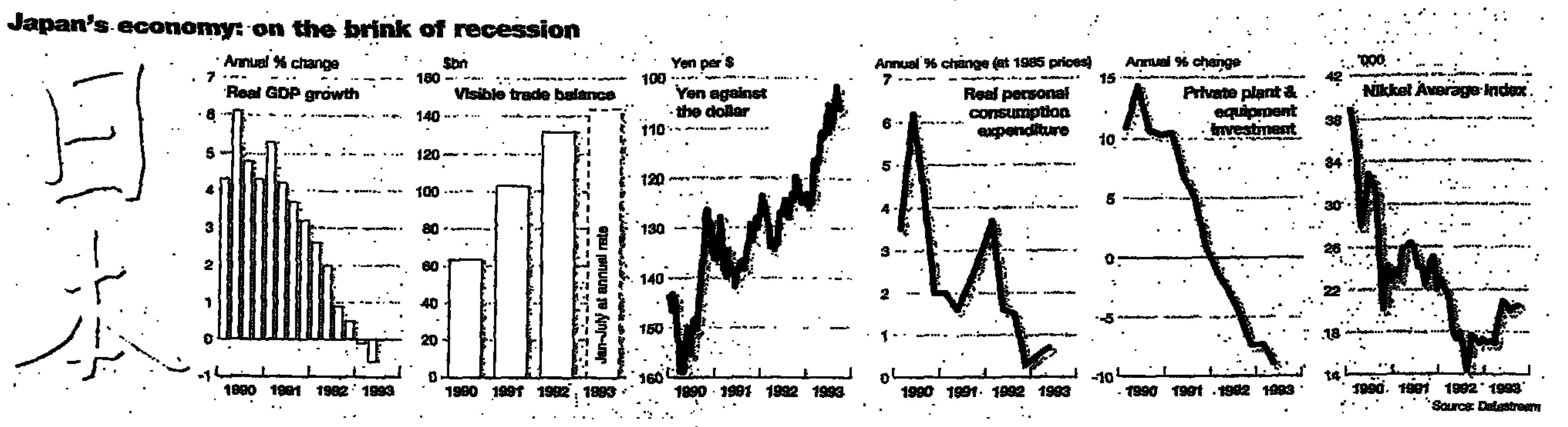


BOTH IN size and scope, the first important economic initiative of the new Japanese government headed by Mr Morihiro Hosokawa failed yesterday to excite. Even the prime minister could describe the package, a confusing mixture of short-term pump priming and long-term reform to Japan's economic structure, only as the best that could be expected at the time.

At Y6,150bn (£37.3bn) the package is dwarfed by the previous two stimulatory initiatives – Y13,200bn was allocated in April and Y10,700bn laid out in August last year. Government officials argued that it is deliberately small. For a start, 90 per cent of the previous package remains to be spent, according to Mr Hirohisa Fujii, finance minister. The bulk of this would be spent only in the second half of this year, senior officials added. On top of this, it is the first such package to include policy changes, with its proposals for 94 steps to deregulate the economy and plans to pass some of the benefits of the yen's rise to consumers.

The stock market was not convinced and slipped 2.1 per cent ahead of the evening announcement, as details slipped out during the day.

A chorus of business leaders appeared on television just after the announcement, complaining that Mr Hosokawa had not seen fit to respond to their demands to cut income tax and that the Bank of Japan had not reduced official interest rates. Instead, the package promises a review of the tax system, to be carried out by a government panel due to report by mid-April. The markets still think the central bank will cut its discount rate some time this month, though it is being cautious because it wants to see more companies get rid of surplus capacity before encouraging a further drop in borrowing costs.



Private sector economic analysts estimated that the package includes between Y1,000bn and Y3,000bn of genuinely new spending, with the rest coming from existing government budgets or being shifted from one sector to another. "It is just not enough," said Mr Tom Hill, strategist at S G Warburg Securities in Tokyo.

Mr James Vestal, chief economist at Barclays de Zoete Wedd in Tokyo, adds: "Everyone should have known it was going to be disappointing. The politics are so complicated, there was never more than a one in three chance that Mr Hosokawa would have come out with something ambitious."

The government's Economic Planning Agency, often criticised for erring on the optimistic side, forecast yesterday that the package would add 1.3 percentage points to gross national product over the next 12 months.

So which bits of the Hosokawa plan will have most effect?

Most of the 94 deregulation proposals, which include and enlarge on the 60 deregulation measures announced by Mr Hosokawa two weeks ago, may harm some sectors in the short term, but bring important benefits in the long term, say analysts. A few promise instant relief, like a plan to deregulate part of the bond market, which should give companies easier access to funds.

The most radical of the proposals to bring the rewards of the strong yen to consumers, is for the government to publish a monthly list of the import cost prices of basic goods, to exert moral pressure on high-priced retailers to trim their profit margins. The government also plans to urge importers to drop their prices, which will prove an interesting test of Japan's tradition of administrative guidance to industry.

On spending, the package takes a similar approach to the previous economic stimulus plans, in that it seeks to improve Japan's creaking and heavily loaded public infrastructure. However, it does have more focus than previous plans on improving the quality of individuals' lives, with proposals for example to build parks, museums, and build slopes for wheelchair users.

Cash is also being set aside for loans to small businesses, which complain of a credit squeeze, for tax incentives on machinery purchases and to enlarge government subsidies to companies in order to keep surplus workers on the payroll.

It is, however, small beer. S G Warburg's Mr Hill estimates that the Y10bn increase in employment subsidy will cover a mere 5,000 workers. Meanwhile, few Japanese companies are likely to make much use of tax incentives for new equipment, since most are trying to follow the central bank's advice and slim capacity rather than increase it.

Robert Thomson looks at the power exerted by Tokyo's ministries

'The yen are too few, the ideas too old'

WHEN Mr Ryutaro Hashimoto, chairman of the opposition Liberal Democratic party's policy research council, was questioned after the announcement of the package, he suggested that the yen were too few and most of the ideas were old LDP proposals.

Mr Hashimoto did not specify whether the former LDP government had proposed that Japan Tobacco donate 50,000 ash receptacles to the public, but the state-owned tobacco company's contribution was counted in the package announced by the coalition government yesterday.

JT's ashtrays were a symbol of the determination of state-owned companies and ministries to donate to the campaign in order to revive and deregulate the economy, though without doing themselves or the national budget much damage.

The inability of the seven-party government of Mr Morihiro Hosokawa to extract more funds from the finance ministry and, perhaps, more ashtrays from JT, is a measure of the difficulties that all Japanese governments face in dealing with the bureaucracy.

Most of the deregulation proposals have been raised before, and there is a sense within the bureaucracy that the Hosokawa coalition will not last long enough to implement changes that would greatly undermine the power of the ministries.

There is also surprise among Japanese companies at the willingness of Mr Hosokawa to believe the finance ministry's warnings that a slowing of tax revenue has made it impossible to produce a larger flow of "real water", as fresh funds are described.

A senior official at one of Japan's Big Four brokerages said he was not surprised that Mr Hirohisa Fujii, the finance minister, has followed the ministry's line; this was because he is a former finance ministry bureaucrat.

"But the whole government appers to be in the pocket of the finance ministry," the official said.

Mr Hosokawa was unable to win an income tax cut from the ministry, but still argued that the package will have an effect.

"I don't think this is good enough, but I believe that we have done the best we could do at the moment," he declared.

One sign of the difficulties faced by Mr Hosokawa's deregulation campaign was a provision in the package giving Japanese ministries two years to suggest revisions to anti-monopoly laws, which still allow the formation of industry cartels.

The seven-party coalition is divided over the emphasis that should be given to deregulation, providing the ministries with a good excuse to delay changes to the more sensitive issues, such as the abolition of cartels tolerated under the present law.

Leaders of the Japan Renewal party, one of the coalition partners, have suggested that Mr Hosokawa should concentrate on introducing political reforms, and not allow himself to be "distracted" by economic and foreign policies.

The coalition has promised to introduce changes to the electoral system this year, and Mr Hosokawa has indicated he will resign if the promise is not kept.

The presumption is that an election will be called when the changes are made and and a new government formed.

But Mr Hosokawa's chances of another term as prime minister in a new system will depend on public perceptions of his ability as administrator. Certainly, the economic downturn is putting these skills to the test.

LDP officials such as Mr Hashimoto insist that the coalition's policies are a reheating of the former government's ideas and that Mr Hosokawa has even repeated turns of phrase first used by Mr Kiichi Miyazawa, the former prime minister.

Mr Hosokawa is fortunate that the LDP, which ruled for 38 years, is still prone to division.

Six MPs from the LDP quit their factions yesterday in protest at the party's inability to reform itself by abolishing the system of intra-party factions.

Reuter

Prime Minister Hosokawa and Mr Takemura, chief cabinet secretary, face cabinet yesterday

Lower fuel bills and a wider choice of beers

By Michiyo Nakamoto in Tokyo

LOWER bills for gas and electricity, more tree-lined streets and a greater variety of beers are some of the changes the Japanese public is being promised in the latest economic stimulus package to be implemented by Japan.

"The worst thing is to do it in little bits like this," said Mr Takuma Yamamoto, chairman of Fujitsu, the computer and telecommunications group. Mr Yamamoto argued that the package should have been adopted earlier and that the amount being considered was far short of necessary. "We need at least Y10,000bn (£61bn)," he said.

The government's aim in the latest set of measures was mainly to focus on improving the quality of life of ordinary people by enabling them to better enjoy the fruits of Japan's economic success, according to its drafters.

But the package failed to deliver the one change which is widely expected to be the most effective in stimulating consumer demand and revitalising Japan's flagging economy: a cut in income taxes.

Instead, Mr Hosokawa has allowed the Finance Ministry to retain the option of combining a cut in income taxes with an increase in Japan's 3 per cent consumption tax to make up for the lost revenue.

The package focused on efforts to deregulate Japanese industries, pass on the benefits of the yen to consumers and improve the country's social infrastructure "from the viewpoint of ordinary people and consumers' interests," according to the government.

Among 94 areas to be deregulated are the easing of rules for beer production, the liberalisation of mobile phone sales and a change in Japanese rules governing the standards for food shelf-life and building materials.

The first is expected to stimulate local economies by encouraging small brewers to produce their own beers in competition with big producers, while the shift from the leasing of mobile phones to direct sales is likely to trigger greater competition in the market, particularly if it is accompanied by deregulation of mobile phone tariffs.

Measures designed to pass on the benefits of the strong yen to consumers include a reduction in electricity and gas charges and the expansion of discount services for family air trips in Japan. The lower utility rates, however, are probably too modest to do much to redirect spending to other areas.

The measures are intended to enable Japanese consumers to enjoy the greater international purchasing power they should in theory have as a result of the strength of the yen against the US dollar. The Economic Planning Agency estimates that if the benefits of a Y10 rise in the yen's value against the dollar are fully passed on to consumers, it would result in a cut in consumer prices of 1 per cent.

The third pillar of the package focuses on coping with the weak domestic economy and Y1,000bn worth of measures to improve a social infrastructure. More government money will aid small companies suffering under the prolonged slowdown, and to stimulate interest in home building by increasing the amount of low-interest government loans.

Capital market reforms given go-ahead

THE EMERGENCY package endorsed further deregulation of Japan's capital market, including the introduction of new products, such as bonds with shorter maturities and floating rate notes.

The proposals reinforce government pledges made in March last year. Deregulation of the capital markets is already slowly under way, and will not have an immediate impact on the economy.

However, in the medium term, a larger and more liquid corporate bond market presents an alternative funding tool for companies at a time when bank lending remains tight and the stock market has yet to see full-fledged recovery.

Until now, short-term corporate paper has been banned by the ministry of finance in order to protect the long-term credit banks, which finance themselves with bank debentures.

Earlier this year, the finance ministry eased restrictions on companies which are able to issue bonds, allowing a wider range of companies to fund themselves through the bond market. Legislative changes allowing new products is expected to accelerate the pace of reform in the bond market.

The ministry is also set to allow variable interest rate deposits and interest bearing liquid deposits. A wider range of products will give investors more incentive to place their funds at the banks, which are losing depositers to postal savings, which offer higher rates.

Banks will also be allowed to accept medium and long term deposits, which have previously been restricted in order to protect the market for 10-year government bonds.

The government also pledged to reform the insurance industry, one of the most tightly regulated in the financial sector. The sharp fall in the stock market from 1990 has eroded the portfolios of the small life assurers, with many of them in need for financial aid.

Liberalisation of the insurance industry, where barriers between life assurers and non-life insurers will be eased, is expected to trigger consolidation.

Emiko Terazono

Sharp rise against dollar in Europe trading

By James Blitz, Economics Staff

THE YEN rose sharply against the dollar in European trading yesterday, as currency dealers took the view that the Japanese economic package would do little to reduce Tokyo's trade surplus.

Officials in Washington are keen to see a reduction in Japan's exports to the US and, for most of this year, have adopted a policy of benign neglect as the dollar has depreciated against the Japanese currency. By allowing the yen to rise, the US has helped hold back Japanese exports.

Four weeks ago, the US Federal Reserve signalled a dramatic change in the Clinton administration's stance on the dollar/yen exchange rate. The US central bank halted the yen's appreciation (it was up by a fifth since the start of the year) by intervening in foreign exchange markets and selling the Japanese currency.

Since then, dealers have been led to believe Tokyo would introduce a strong stimulus to the economy this week that would suck in imports.

But although the headline figure for yesterday's boost was larger than expected, currency analysts were disappointed by the absence of tax cuts and a reduction in the official discount rate.

After trading at around Y106.50 before the measures were introduced, the yen appreciated sharply, broke through the Y105 barrier and was trading at around Y104.55 last night. Several analysts suggested the yen could have advanced considerably closer to the Y100 level, had it not been for fears that the Federal Reserve might again intervene. "It would be fair to say that Y100 is on the cards now," said Mr Steve Hannah, chief economist at IBJ International in London.

British prime minister adopts a softly-softly approach in quest for increased business opportunites in Japan

Legacy of war overshadows Major's visit

By Kevin Brown in London and William Dawkins in Tokyo

MR JOHN Major, the British prime minister, departs for a six-day trip to Japan, Malaysia and Monaco today, hoping that the long shadow of the Second World War will not sour his hopes for a foreign policy triumph.

Much against Mr Major's wishes, the issue of compensation for servicemen mistreated by the imperial Japanese military threatens to cloud his first meeting with Mr Morihiro Hosokawa, his Japanese counterpart.

Mr Major is being pressed hard by leaders of British POW organisations, and will be unable to avoid raising the issue with Mr Hosokawa. But Mr Major's advisers were keen to damp expectations of a quick breakthrough yesterday, warning that Tokyo was unlikely to move beyond Mr Hosokawa's recent declaration of apology for wartime excesses.

Senior British officials also stressed that the tone of the trip will be very different from the last visit to Tokyo by Mrs Margaret Thatcher, the then prime minister, four years ago. Mrs Thatcher bluntly warned against protectionism, pushed hard on a number of bilateral trade issues and left her hosts with their ears ringing. Mr Major will take a softer approach, partly because many of the problems which exercised Mrs Thatcher have been resolved.

For example, Tokyo has opened its stock exchange and its telecommunications market to foreign companies. The Hosokawa government has also embarked on a deregulation drive that has strong parallels with the rhetoric emerging from London.

But there has also been a change in UK government approach. Unlike the US, London believes that, exerting pressure on an increasingly confident Japan is the last way to strike a deal.

Instead, Mr Major hopes to build on the warm relationship between London and Tokyo which has flowed from Japanese investment in Britain. Japan, which directs 40 per cent of its European investment to Britain, increasingly sees London as a reliable spokesman in a shifting and uncertain European Community.

Mr Major, the latest in a queue of UK ministers to visit Tokyo this year, will be seeking business opportunities for British companies, greater science and technology links. He will also bring support for Japan's growing role in world diplomacy.

He will be accompanied by a business delegation of senior executives from 11 companies, plus Mr Howard Davies, director general of the Confederation of British Industry and Mr Richard Needham, the trade minister.

That looks hefty, but it is deliberately lightweight by comparison with the delegation that accompanied then US President George Bush to Tokyo last year, which was widely criticised as clumsy.

The companies will have their own shopping list. They include Rolls-Royce, Unilever, Guinness, ICI, British Telecom, British Gas, General Electric, Cable and Wireless, and Amec.

Rolls Royce, for example, is keen to sell jet engines to Japan Air Lines, which is expected to pick a supplier to refit much of its fleet in November. ICI is hoping to expand a joint venture with Teijin, a Japanese gases group, for making alternatives to chlorofluorocarbons, while GEC is looking for opportunities in government procurement.

Officials emphasise that Mr Major is not just on a selling mission. Like the US, Britain remains concerned over its growing bilateral trade deficit with Japan, which amounted to £5.2bn last year.

But unlike the US, Britain will not push for a numerically targeted cut in the deficit. Instead, Mr Major is expected to press for a multilateral freeing up of Japanese trade, notably by insisting that any concessions granted to the US should also apply to other trade partners.

The UK is also worried that Japan is under such pressure to make concessions to Washington that British companies might lose contracts to US competitors for purely political reasons. Specific items on the agenda include sales taxes on imported whisky, which is many times higher than on domestic drinks, and continuing barriers to foreign lawyers.

None of this is likely to cause serious problems. But there may be some sharp exchanges about Japanese reluctance to open the rice market to foreign suppliers.

Mr Major, who is said by officials to be "obsessed" by the stalled Uruguay Round of the Gatt, will press hard for movement on an issue he believes may prove crucial to the objective of achieving a more open world trading system.

Mr Major will spend two days in Kuala Lumpur on the way home, mainly in the hope of strengthening relations with Dr Mahathir Mohamad, the sometimes prickly prime minister, and boosting opportunities for British companies in the dynamic Malaysian economy.

The British premier is bracing himself for a lecture from Dr Mohamad on the European Community's reluctance to intervene militarily in Bosnia in support of the Moslem population.

Recession in mainland EC hits companies

By Ian Hamilton Fazey and Tim Burt

THE WORSENING recession in mainland Europe has begun to feed through to companies based in Britain's industrial heartlands of the Midlands and northern England where growth in orders has begun to stall, two separate business surveys showed yesterday.

The Confederation of British Industry, the employers' organisation, said sluggish European export trade was affecting the recovery in the Yorkshire and Humberside region after steady growth over recent months.

Members of the Yorkshire and Humberside regional council of the CBI said the downturn in France and Germany was exerting a "severe" effect on them. They were also worried by pressure on UK government spending programmes.

Mr Peter Lee, chairman of the CBI regional council, said: "Until there is a turnaround in the rest of the European Community, things will remain less than buoyant here."

In the west Midlands, the quarterly survey by the region's Engineering Employers Federation found that the proportion of companies enjoying growth in export orders had declined to 20 per cent compared with 27 per cent in the second quarter.

It was the second successive quarterly decline in export growth after sustained improvement over the four previous quarters. Meanwhile, the number of companies losing orders rose for the third successive quarter – up from 21 per cent to 27 per cent.

"Export orders reflect the deepening recession in the rest of Europe," the federation said.

Domestic orders also declined, with fewer companies reporting growing demand at home – down from 46 per cent in May to 39 per cent in August. The percentage of companies reporting growth in total orders fell to 41 per cent from 48 per cent.

Mr David Botterill, the federation's chief executive, said overall trends were still positive. But the government "must tread very lightly in the manufacturing sector if the eggshell of recovery is not to be broken".

The CBI in Yorkshire and Humberside said the construction industry was also suffering, while overcapacity was leading to severe competitive conditions and pressure on margins in many markets.

Iraq export licences revoked after fraud is found

By Jimmy Burns

BRITISH companies exporting humanitarian aid to Iraq are to have their licences revoked by the government following the discovery of fraudulent United Nations and Department of Trade and Industry documents.

British officials at the UN have confirmed that UK-registered companies are among an undisclosed number from various countries which have been brought to the attention of the UN sanctions committee because of the alleged doctoring of UN documents.

The doctoring involves false statements of export volumes, which may have resulted in some companies breaching restrictions on trade under UN sanctions.

Under the sanctions regime, which was imposed on Iraq after it invaded Kuwait in August 1990, humanitarian aid is allowed, though borderline cases, where the aid could be defence-related, are subject to UN scrutiny.

Acting on information from the US and UK intelligence services, the DTI is investigating at least one case of a British-based company.

UK officials say that they have been left with no option but to revoke all export licences in order to prevent the fraud from spreading.

According to senior Whitehall officials, goods which have been identified on the forged documents are not defence-related. Nevertheless, they represent considerably larger quantities that those permitted under restrictions supervised by the 15-nation UN sanctions committee and involve trade with Iraq as opposed to humanitarian aid.

British companies will be told they can apply for new licences. But the documentation will involve different paper which officials say is less susceptible to fraud.

The DTI, sensitive about not undermining UK commercial interests, was planning to revoke the licencing procedures discreetly, contacting companies before making any kind of public announcement. The DTI said it could neither confirm nor deny that it was about to change its licensing procedures. According to the DTI, at least 1,200 licences to export humanitarian-related goods have been granted to UK companies since sanctions were imposed on Iraq after the invasion of Kuwait in August 1990.

In addition the DTI has issued 270 "supply licences" to UK exporters. This allows UK companies to supply humanitarian-related goods to Iraq through third countries.

The Belfry counts the notes

Jim Kelly on the business of staging next week's Ryder Cup

A WORLDWIDE television audience of 250m will next week focus on a stretch of vaguely uninspiring countryside in the English Midlands.

Throughout the three-day event 35,000 people will troop across the grass. At lunchtime 8,500 corporate guests will dine in a 35,000 sq m tented village.

Golf is big business. The Ryder Cup between the US and Europe has the added bonus of passion since the competition was revitalised in 1979 by replacing a UK team with a European one.

The last contest, at Kiawah Island, South Carolina, was conducted in a atmosphere close to hysteria. The US won by half a point on the last putt. Crowd control, or the lack of it, was a big issue.

The venue is The Belfry in Warwickshire, where in 1985 the Europeans won a famous victory and a real renaissance began for what had become a moribund contest dominated by the Americans. In 1989 the competition was tied, the Europeans kept the cup, and the stage was set for Kiawah.

The European interest in the competition is now keen. The team boasts golfers from Italy, Spain, Sweden, and Germany as well as the "home countries" of the UK. More importantly the next Ryder Cup will be held for the first time outside the US and UK, in Spain.

Since 1989 £2.5m has been spent at The Belfry by De Vere Hotels, a subsidiary of Greenalls group, the pub and hotels group. The Belfry, a new course built in 1976-77, and much criticised in the past as immature, is reportedly in much better shape. More than 300 companies will use the corporate entertainment facilities.

But the quality of golf may be a sideshow. National fervour has overtaken the competition and the Professional Golfers' Association and the PGA European Tour, the organisers, will be watching to see if the spirit of the game is lost in the excitement.

Meanwhile the popularity of the event continues to grow. The daily attendance will compare well with the average for The Open Championship itself. The action will be live on BBC television. Spectator "mounds" have been added to the course to help the sometimes frantic customers see the action.

More sedate scenes will ensue to today at St Nom la Bretèche, near Paris, where several members of the European team are preparing for The Belfry by competing for the Trophée Lancôme. While the crowd there will no doubt be knowledgeable and excited they are unlikely to whoop and cheer their favourites.

Meanwhile at The Belfry the news yesterday was that the three days of the Ryder Cup are a sell-out at £35 a ticket. The advice is that the £15 tickets for the practice days have almost all been sold, too.

Ian Woosnam pauses to study the green during first-round play in the Trophée Lancôme

Tourist numbers up 8% to record

By Diane Summers, Marketing Correspondent

A RECORD 18.5m tourists visited Britain in the 12 months to April this year, the British Tourist Authority reported yesterday. The figure was 8 per cent higher than in the previous 12 months while the 8.5m total for the January-June period this year was 10 per cent higher than in the first half of 1992.

However, spending by tourists in the 12 months to the end of March this year increased by only 7 per cent to £7.9bn. That was the result of trading down, cutting short the length of stay and heavy discounting by the tourist industry to attract business, the authority said.

The authority expects the tourist total for the 12 months to April next year to exceed 18.5m.

Ms Adele Biss, BTA chairman, said at the launch of the authority's annual report: "We are forecasting an even stronger year to come as we reap the benefits of devaluation and the move away from simple sunbathing to the more fulfilling holidays that Britain offers." However, Britain is still seen as a relatively expensive destination "so delivering value for money will continue to be paramount," she added.

Travel from north America was up 18 per cent last year on 1991 – the start of that year was hit badly by the Gulf war – but did not recover to 1990 levels.

Growth in visitors from south-east Asia was strong, with tourists from Hong Kong, Malaysia and Singapore increasing by 22 per cent, and Japan by 21 per cent.

Out of the nearly 10m tourists from other European Community counties, France and Germany provided the greatest number of visitors.

Britain in brief

Pound drops as jobs total falls again

News that unemployment rose again last month rounded off a week of poor economic figures, adding to the government's discomfort and triggering nervousness on the foreign exchanges.

Unemployment increased a seasonally adjusted 5,800 in August following a sharply revised increase of 4,300 in July.

The number of people out of work and claiming benefit now stands at 2.92m, or 10.4 per cent of the workforce.

The August monthly increase was the second in a row and went some way towards reversing falls in unemployment that occurred between February and May.

The news contributed to unease among investors, already unsettled by an outspoken attack on the leadership of the prime minister by Mr Norman Lamont, the former chancellor. The pound dropped a pfennig to close at DM2.4625.

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Greens fail to start conference

The Green Party had to postpone the opening session of its party conference in Hastings yesterday because too few members turned up.

The shortage of delegates reflects the party's continuing fall in membership. Only 40 were ready to take part in the opening session, forcing organisers to rearrange the conference timetable.

Several star Green names such as Jonathon Porritt and David Icke are not attending this year's conference after being forced out of the party by bitter infighting over the past four years.

The Green Party executive today reported membership at just under 4,600, down from a peak of 18,500 in 1990 after they had polled 15 per cent of the vote in the 1990 European election.

Deficit cut by tax windfall

A tax windfall from the tobacco industry and repayments of debt by local authorities were behind a lower-than-expected budget deficit last month, according to government figures.

The gap between public spending and revenues in August was £3.54bn compared with City expectations of about £3.7bn. The seasonally adjusted figure brings the deficit for the first five months of the financial year to £18.4bn, 28 per cent up on the £14.4bn recorded for the corresponding period last year.

The figures are roughly in line with Treasury estimates that borrowing for the full financial year will come to £50bn, up from £36.5bn last year and £13.7bn in 1991-92.

Customs and Excise duties in August were boosted by an extra £400m in tobacco duty resulting from a delayed price increase, the Treasury said. Also the overall deficit was contained by local authorities repaying £762m in August, with repayments from public corporations totalling an additional £521m.

In contrast, central government borrowed £4.56bn compared with £1.49bn in July and £3.96bn in August last year.

Extra police for council poll

Extra police were moved into Millwall, East London last night as a council by-election contested by the far right British National Party ended in mounting tension.

Labour party canvass figures last week gave the BNP 34 per cent of the poll, only five points behind Labour. The far right party has this week mounted a push to overtake Labour and win what would be its first local authority seat.

Representatives of the main political parties and church leaders urged electors to vote in greater numbers than is often the case in local authority by-elections and help ensure the BNP's defeat. Yesterday's by-election took place after a spate of racial violence.

95% of mobile calls 'a success'

About 95 per cent of calls made from mobile phones are successfully set up and completed, according to an Oftel survey carried out between April and July. It found Vodafone the more reliable operator, with a 96.7 per cent success rate against 94.4 per cent for Cellnet. A survey earlier this year gave Vodafone a 95.4 per cent success rate and Cellnet 91.3 per cent.

Egan to head tourist body

Sir John Egan is to chair the London Tourist Board. Sir John, who was chairman and chief executive of the Jaguar car company before it was acquired by Ford of the US, will remain as chief executive of BAA, which owns and runs the three London airports.

Correction

Zurich Insurance: On September 9 the Financial Times wrote that Mutual Municipal Insurance had been acquired by Zurich Insurance early this year. Zurich Insurance has in fact only acquired parts of the business of MMI.

Unions to oppose changes in health law

By Ian Hamilton Fazey, Northern Correspondent

THE TRADES Union Congress will resist any attempt by the government to dilute the UK's health and safety legislation, Mr John Monks, the TUC general secretary, said yesterday.

Mr Monks was speaking in Manchester at the opening of a conference on environmental issues organised by the International Confederation of Free Trade Unions. More than 100 delegates from 30 countries attended.

Mr Monks called on trade unionists to act as "whistle-blowers" on their employers if environmental regulations were not observed.

UK health and safety legislation is under review to see if some regulations can be pruned. "We are concerned that the basic application of the law is not changed," Mr Monks said. The onus had to remain on employers to improve health, safety and environmental conditions.

The TUC believes environmental concerns will create jobs through development of a "green" industry. "It is already becoming clear that employment and incomes are being threatened by failure to adapt to best environmental standards," Mr Monks said. "If we fail to develop to these standards, Britain will lose out."

Mr Chris Smith, environment spokesman for the opposition Labour party, said the Multilateral Trading Organisation to be set up to administer the new General Agreement on Tariffs and Trade must have environmental issues in its remit. This would allow it to address problems caused by moving work from countries with tight environmental controls to those with more lax regulations.

Tougher rules ahead for City

By Norma Cohen, Investments Correspondent

THE Securities and Investments Board, the chief regulatory watchdog in the City, London's financial and commercial quarter, is preparing for the first time to ban individuals whose behaviour it regards pose a threat to investors.

In a move likely to unsettle the investment industry the SIB is already reviewing several cases and considering bringing charges against some individuals involved.

Separately, the Stock Exchange yesterday announced new measures requiring corporate directors to disclose all the terms of their remuneration including stock options and bonuses in a move which also aimed at increasing protection for investors.

For the first time companies will have to explain how much it will cost shareholders if the director is dismissed prior to the contract's expiry date.

Current rules offer a loophole under which directors can keep some of the most expensive details private.

Huge payoffs to directors dismissed for incompetence have been a source of dismay to institutional shareholders who have been pressing for greater say over the terms of executives' contracts for the companies they invest in. Although unrelated, the two moves will tighten the regulatory framework under which British financial institutions operate.

The SIB has had the power to ban individuals since its creation, but not once in its six-year history has it ever considered doing so. Yesterday, the SIB announced the principles under which its banning actions would occur.

The decision to begin banning individuals stems from a review of the SIB's authority conducted earlier this year by its chairman, Mr Andrew Large, in which he considered whether new legislation is needed to protect investors.

Tories seek boost for educational exports

By John Authers

THE Department of Trade and Industry yesterday set up a trade group to improve UK educational exports.

The aim is to improve the marketing of British further and higher education overseas. Such exports already contribute about £1.5bn annually to the UK economy. The government also wants to improve the markets for government training schemes and scientific equipment.

Baroness Perry, who recently retired as vice-chancellor of South Bank University in London, will lead the trade group.

"There are a lot of countries, such as Thailand, which 30 years ago were extremely loyal to the UK, but now have veered much more strongly to the US and Australia," she said yesterday.

Her priority will be to improve British competitiveness in bidding for training contracts in developing countries which are funded by the World Bank and usually awarded by national governments. In this market, she says, the UK lags behind Germany and the US.

The Royal Albert Hall, built more than 100 years ago in memory of Queen Victoria's husband, is to be given a £34m facelift (artist's impression above) to enable the building to fulfil its original purpose – the promotion of the arts and sciences. The present layout of the hall, best known for the annual Promenade Concerts, is too cramped for modern backstage operations

Revolt against Major gains momentum

As the party conference nears, **Kevin Brown** examines prospects of a leadership challenge

MR JOHN MAJOR returned from his Portuguese holiday three weeks ago determined to draw a line under the series of setbacks which has undermined his leadership since the 1992 election. He has not succeeded.

The prime minister's strategy has been to dismiss talk of an autumn leadership challenge as a product of the "silly season", the quiet summer period when political rumours sometimes achieve unjustified prominence.

This approach sufficed while the rebellion was confined to backbenchers such as Mrs Teresa Gorman, the rightwing MP for Billericay. But it may not be enough to deal with the more substantial intervention of Mr Norman Lamont, the former chancellor of the exchequer. Mr Lamont, sacked by Mr Major in May, gave fresh impetus to the rebel campaign yesterday in newspaper articles in which he scarcely bothered to conceal his contempt for the party leader.

If anything, Mr Major's dismissive description of Mr Lamont's comments as "rather sad and disingenuous" seemed more likely to prompt a further damaging intervention than to calm the party's troubled waters.

The prime minister's response to Mr Lamont was echoed by cabinet colleagues, who condemned the former chancellor's comments, delivered in newspaper articles. The strongest reaction came from Mr Ian Lang, the Scottish secretary, who said the sight of "ex-ministers rewriting history" was "sickening."

But such condemnation of Mr Lamont did little to reduce the tensions on the backbenches. Sir Teddy Taylor, the MP for Southend East, was only one of a number of rightwingers claiming yesterday that Mr Lamont's views were shared privately by several ministers. However, in spite of all the huffing and puffing on the backbenches, it remains unclear whether, and when, a challenger will emerge.

One idea being discussed on the right is to put up a "stalking horse" candidate designed to tip Mr Major on to the slippery slope towards resignation by demonstrating his unpopularity among Conservative MPs.

Ironically, this was the strategy adopted in 1989 by opponents of Baroness Thatcher, then prime minister. She crushed Sir Anthony Meyer, the rebel candidate, but was sufficiently weakened to be defeated a year later. The consensus is that Mr Major would be fatally wounded if more than 100 MPs opposed him or abstained from voting.

But the problem for the right is that a leadership challenge can take place only if 10 per cent of Conservative MPs request a poll in writing.

The rulebook says the identities of the MPs would be kept secret. But no one in the Westminster rumour-mill imagines that the names could be kept confidential for long.

This means that 34 MPs would have to declare openly that they want to replace the prime minister. Mrs Gorman claims that sufficient disgruntled MPs are prepared to stand up and be counted. Less committed observers question that assertion. But the arithmetic may change if Mr Major fails to demonstrate a clear grip of the party over the next month.

The crucial test will come in three weeks, when the Conservative rank and file gather in Blackpool for the annual conference. The signs are that many are already in an angry mood. Sir Teddy predicted yesterday that the conference would be "very difficult".

This is partly because of the deep-seated unhappiness about the government's performance on crucial issues such as the economy and law and order.

But it is also a reflection of irritation about manipulation of the conference agenda by party headquarters. For example, there will be no debate on the extension of value added tax to heating fuel, although dozens of critical motions have been submitted.

Mr Major, who is not a good conference speaker, will have to deliver the performance of his lifetime to still the campaign against him. But Mr Lamont is not finished, either. The former chancellor is widely expected to return to the attack when he addresses a fringe meeting.

Lady Thatcher will publish her memoirs next month. Any suggestion of disloyalty by Mr Major during the 1990 leadership crisis will be seen by rightwingers as further evidence of his untrustworthiness.

The outlook for Mr Major is not all gloom. His advisers have always claimed that the government's problems would ease as economic recovery took hold. He is also protected by the rebels' awareness that the most likely winner of a leadership battle would be Mr Kenneth Clarke, the chancellor of the exchequer, who attracts equal dislike from the right.

Nevertheless, Mr Major's future remains unpredictable. Even if he escapes a challenge this year, the leadership issue would be reopened by a poor Conservative performance in the European parliament elections in June next year. That, say the cooler-headed rebels, is the time to watch.

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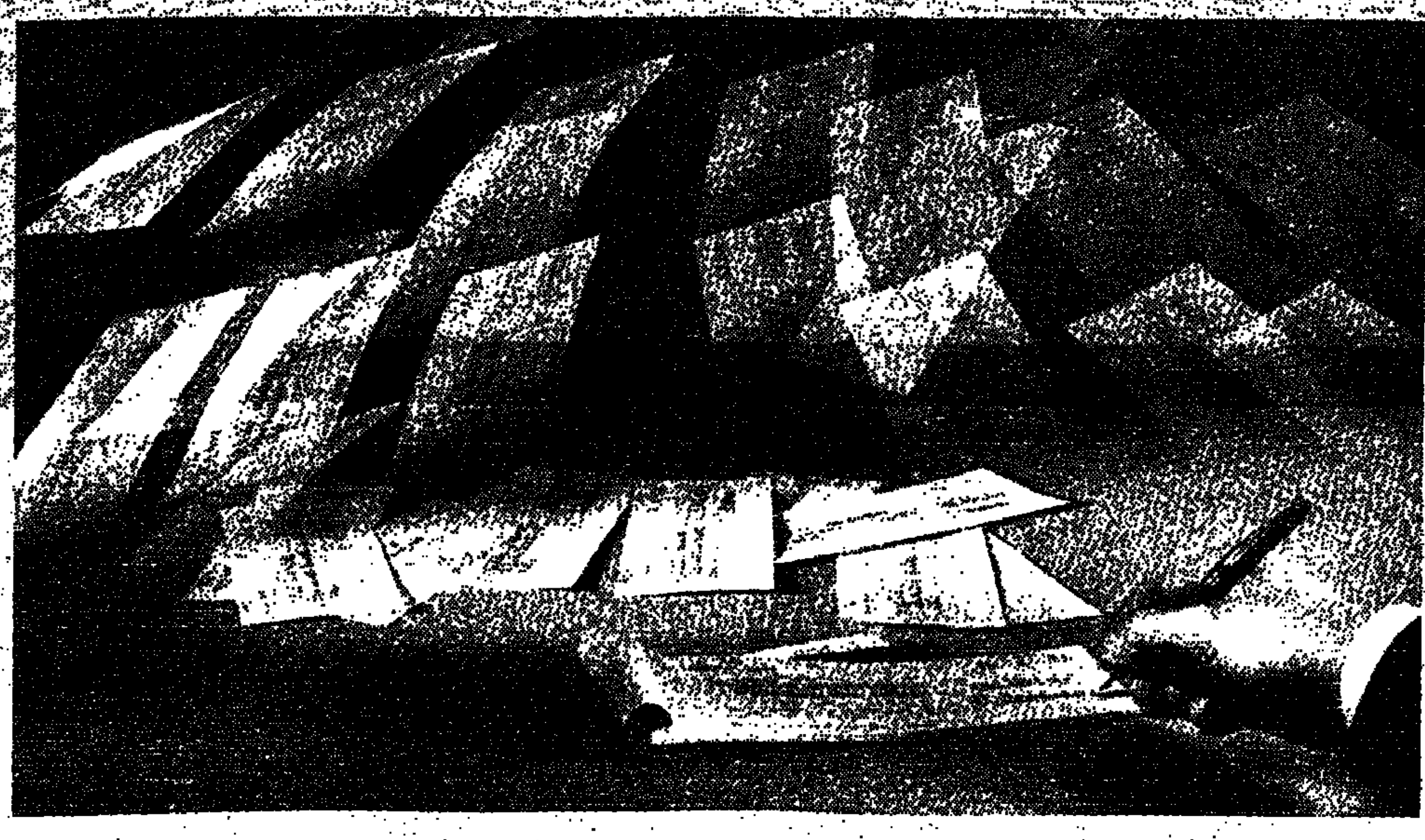


Can you be certain you're getting as much out of your IT as you're putting into it?

Tim Dickson became an extra at a training session on sexual harassment presented in the form of a drama

The sorry tale of Tom and Lisa

The action takes place on a Friday afternoon near Maidenhead, England, in and around the offices of MaST, a human resources development consultancy. Running time: approximately three hours.

ACT ONE (The prologue)

Enter 30 personnel and training officers (potential clients), a couple of journalists and various MaST "facilitators". All sit, expectantly, facing the stage.

The concept of business theatre – "to challenge and stimulate people to think in new and different ways" – is explained.

ACT TWO (The play within a play)

Enter Tom and Lisa, sales colleagues who share an office. Tom is carrying a copy of Madonna's book Sex. He fancies himself – and Lisa. He makes a number of suggestive remarks in the course of a discussion about an important sales contract.

Lisa is not amused. ("I make my living by selling our products. If you want sex, stick to Madonna.") Tom fails to take the hint, first puts his arm round her, and later runs his finger down her arm. On the strength of this she lodges a complaint.

ACT THREE (The dilemma)

The play is halted. The "audience" of personnel officers and journalists is divided into two groups to assess the action so far, to explore ways of resolving the conflict between Tom and Lisa, if possible through mutual agreement or reconciliation, if necessary through the law.

The two groups separately interview and counsel the actors who respond in the characters of Tom and Lisa. Each group then briefs one actor on what to do next, the hope being that the drama will end with the sales duo amicably at their desks and the legal cloud lifted.

Earnestness and political correctness are in plentiful supply. No one doubts that Tom is the cad. Debate centres on how to rebuild a harmonious working relationship. Efforts to suggest to Lisa that she might just loosen up a touch and to explain why Tom might have got carried away – his previous colleague Alice was evidently a bit of a flirt – leave her unconvinced.

The other group instructs Tom to go back to the office, apologise to Lisa, and lay down clear behavioural guidelines to govern their relationship in future.

INTERVAL (tea and biscuits)

ACT FOUR (The denouement of the play within a play in which the actors ad lib in character)

A surprisingly self-satisfied Tom is just putting the telephone down as Lisa arrives for work. They begin – falteringly – to consider possible ground rules. Both seem to be going through the motions. After a minute or so, of discussion, Tom announces that their conversation is a bit academic; he has just accepted a job with one of the company's big customers.

ACT FIVE (The epilogue)

Enter Dianna Yach, MaST consultant and legal expert. She explains that the drama *A Bit of Fun* can be used as a tool for spreading awareness about sexual harassment, a training programme, or an assessment vehicle.

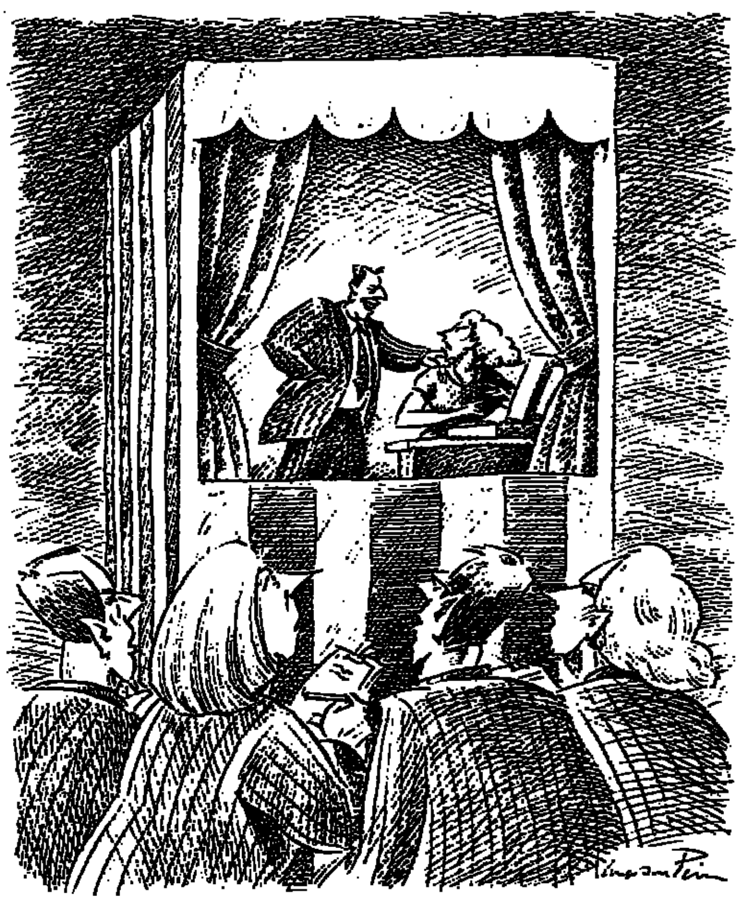
Yach emphasises that sexual harassment poses a serious financial threat to companies, as well as being an important human issue. Attitudes towards acts of harassment, particularly sexual harassment, are hardening and industrial tribunals are more willing to mark their disapproval in enhanced awards against employers.

Following a decision last month in the European Court of Justice (Marshall v Southampton and South West Hampshire Area Health Authority) the upper £11,000 limit on equality compensation in the UK has been declared unlawful.

Employers are vulnerable, insists Yach, unless they can show that they have taken clear and positive steps to investigate a complaint, and taken positive action should the complaint appear justified.

Tribunals are interested in the effects of behaviour, so it is not a defence to allege that the individual meant no harm. As one UK law firm discovered last year, employers can be held liable for what goes on at the office Christmas lunch.

Information on the next production in early November from MaST, Hermitage House, Bath Road, Taplow, Maidenhead, Berkshire, SL6 0AR.



Curbing the office pest

European companies can no longer ignore the problem of sexual harassment. Governments, trade unions, employers' bodies, industrial tribunals, the press, equal opportunities groups and countless victims have made sure of that.

The latest initiative comes from the European Commission, which has just published a booklet* explaining how to construct a policy aimed at stamping out sexual harassment. It is based on the Commission's code of practice, published two years ago.

The code consists of a two-pronged – it includes measures to prevent harassment from occurring in the first place and measures to find ways of tackling it once it has happened. It urges companies to:
- Issue a statement spelling out what counts as harassment, making it clear that such behaviour is unacceptable and describing a procedure through which employees can complain.
- Make sure that employees know about the policy.
- Place responsibility on managers to make sure harassment does not occur in their areas.
- Provide training for managers and for staff processing complaints.
- Set up formal and informal channels for dealing with complaints.
- Designate someone to give advice and assistance.
- Make sure cases are investigated quickly and by a committee set up for the purpose.
- Mete out suitable disciplinary measures to guilty parties.

Slowly, companies are beginning to realise something needs to be done. The telephone lines have been increasingly busy at the UK's Equal Opportunities Commission, which runs a service advising employers on how to combat harassment. In 1990, an average of one employer a week used the service. By last year, the EOC was receiving about two inquiries a day and the numbers are rising.

A similar picture emerges from recent research by Industrial Relations Services, the pay and conditions research group. It found that a third of British employers had a policy to deal with sexual harassment and a further third were considering introducing one.

However, the mere existence of a policy does not mean it is having any impact. Indeed, it seems many companies have policies which fall short of the EC's guidelines. A recent survey by the Industrial Society shows that more than a fifth of UK employees do not know if their organisation has a sexual harassment policy or not.

The EC booklet says companies without a policy are open to litigation from employees who have been the victims of harassment.

Agnès Hubert, head of the European Commission's equal opportunities unit, says a policy may also save companies money. "Organisations should think seriously about the cumulative cost of replacing staff affected, paying sick leave to employees who miss work because of stress, and the implications of reduced productivity – all expensive drains on morale and efficiency", she says.

The priority attached to the issue varies in different countries. The report is peppered with best practice examples from the Netherlands, where many organisations have gone beyond the guidelines by instituting training and setting up external complaints commissions.

Lucy Kellaway

**How to Combat Sexual Harassment at Work, available from Commission of the European Communities, 8 Storey's Gate, London, SW1P 3AT. Tel: (071) 222 8122.*

Fuelling a new popularity

Drivers are turning increasingly to diesel cars, writes John Griffiths

Fleet managers must have been struck by last month's UK car registration figures, which showed a 79.4 per cent leap in diesel sales. More than one in every five new cars sold is now a diesel and Citroën, one of the market leaders, believes the figure could rise to one in three by the end of this year.

Some companies are switching all or part of their fleets to diesels to take advantage of their better fuel consumption. On the whole they are 25 per cent more economical than petrol-driven vehicles.

A flurry of surveys has indicated that the UK may be witnessing one of the most significant shifts in business fleet acquisition policies since the company car sector first sprang into life in the 1970s.

What emerges from them are changing driver attitudes towards the car, with greater concern about costs and the environment increasingly replacing performance-oriented obsessions of the 1980s. The sector's growth is also being facilitated by the reduction and, in some cases, disappearance of the price premium demanded by manufacturers.

Diesels can be expected to receive a further substantial boost from company car taxation changes which come into effect next April, under which tax payable will be based on car prices rather than engine size. The larger engine capacity required by a diesel to provide performance comparable with a petrol unit currently remains a considerable tax disincentive to company car drivers choosing a diesel model.

The disadvantage may be further offset as early as the Budget in November. Diesel economy will become relatively more attractive if, as some industry analysts believe, the government imposes a sharp increase in overall motor fuel duties to compensate for its £1.6bn revenue loss from abolishing Special Car Tax.

Two recent surveys illustrate the upsurge in diesel popularity:

One, undertaken among 190 fleet managers by Fleet Management magazine and the leasing subsidiary of BRS, the fleet management company, found that 61 per cent expected diesel cars to outnumber petrol models on their fleets, which on average numbered 390 vehicles.

Eighty-five per cent intended to increase the number of diesels on their fleet over the next 12 months and 98 per cent believed fleet operators generally would increase the number of diesels on fleets.

The survey also indicated that nine out of 10 fleet operators now believe diesels are more environmentally "friendly" than petrol-engined equivalents.

Harris Research Centre, in a poll of 1,072 drivers in the UK, France, Germany and Italy, also showed that around half will consider making their next car a diesel. In the UK, 11 per cent said they had already decided to do so, with the figure rising to 22 per cent in France. In a similar poll in 1989 only 3 per cent of drivers in the UK said they would definitely buy diesel. Drivers in the Harris survey were both business and private motorists.

A flurry of surveys has indicated the UK may be witnessing a significant shift in business fleet acquisition policies

According to statistics from Automotive Industry Data, the motor industry monitoring organisation, diesels took a 19.6 per cent share of total west European sales in the first quarter of this year, compared with 17.3 per cent the year previously.

According to Jack Fryer, managing director of Lucas Industries' automotive division which commissioned the Harris research, it is unlikely that the price premium for diesels will be eliminated entirely.

But he says that advances in technology have already solved or are solving other current perceived negatives such as noise and a slight delay in starting while glow plugs warm up.

"The diesel will never take over the GTI market but it probably has a natural market level of 30-35 per cent," he maintains.

هكذا من الأصل

TECHNOLOGY

Continuing a series on drug discoveries, **Clive Cookson** considers developments for the treatment of diabetes

Gaining the upper hand

THE pharmaceutical industry is beginning to give diabetes the attention it deserves as one of the western world's most serious – and fastest growing – chronic diseases. Diabetes and its complications already kill 160,000 people a year in the US.

Prospects for the immediate future include easier ways to administer insulin than the traditional self-injection, a new hormone to enhance the effects of insulin, and the first drugs designed to treat the medical complications of diabetes. Further ahead lies the possibility of curing or preventing diabetes by intervening in the disease process at the molecular level.

Diabetes is ultimately an auto-immune disease, triggered by a combination of genetic and environmental factors. The body's immune system destroys the cells in the pancreas that make insulin, the hormone controlling blood glucose (sugar) levels.

Until the isolation of insulin by Frederick Banting and Charles Best in 1921, anyone with the most severe form of the disease, known as Type 1 or juvenile-onset diabetes, soon fell into a coma and died.

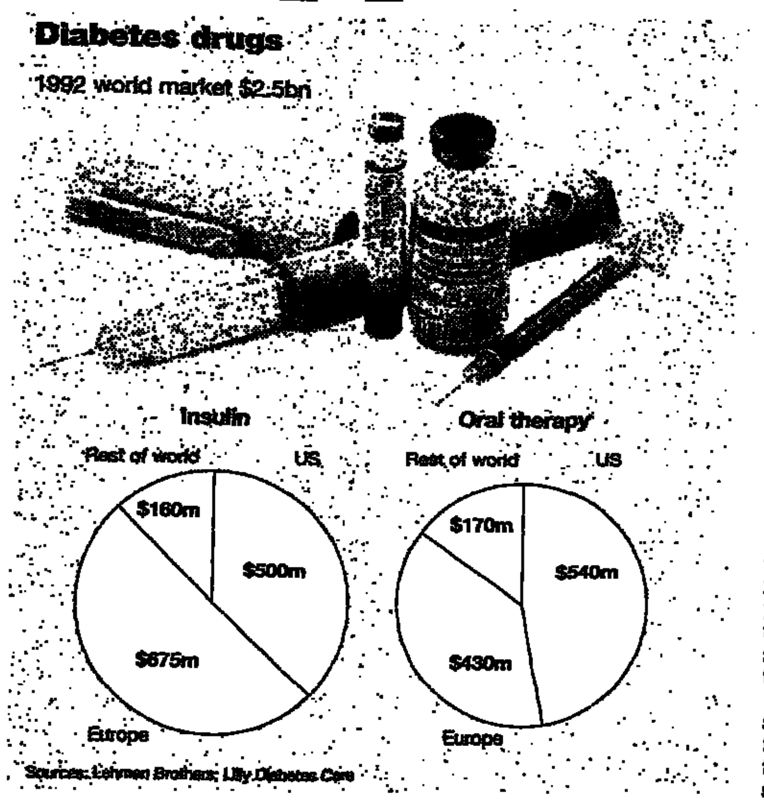
During the 1920s and 1930s two companies that still dominate international insulin production today, Eli Lilly of the US and Novo Nordisk of Denmark, set up plants to extract the hormone from pigs' and cows' pancreases.

Diabetics could then stop themselves falling into a fatal coma with regular injections of insulin. But these were no cure; diabetes became instead a chronic degenerative disease with a multitude of life-shortening complications including poor blood flow, blindness, kidney failure and severe nerve damage (neuropathy).

Worldwide sales of diabetic drugs were worth about \$2.5bn (£1.6bn) in 1992 and are growing at about 10 per cent a year, according to Lehman Brothers, the international securities company. Insulin has about 60 per cent of the market. The remainder is for "oral hypoglycaemics" – drugs taken by people with Type 2 or adult-onset diabetes, a less severe form of the disease.

The most important development during the 1980s was the genetic engineering of bacteria or yeast to make insulin identical to the hormone produced in the human pancreas.

This "human insulin" has the advantage that, unlike animal insulin, it does not stimulate unwanted antibodies in patients. About two-thirds of diabetics have now switched from animal to human insulin. Some were put off by reports that patients on human insulin were more likely to suffer from acute hypoglycaemia – a sudden and potentially fatal fall in blood sugar levels – because it gave them fewer warning signs of an impending attack, such as sweating and tremor. But the Drug and Therapeutics Bulletin, published by the UK Consumers' Association, concluded this year after reviewing all the clinical data that human insulin was just as safe as the animal version.



Sources: Lehman Brothers; Lilly Diabetes Care

At the same time, the insulin manufacturers are making it easier for diabetics to inject themselves. In the 1920s, patients used a ground glass syringe that had to be sterilised in alcohol every time it was used. The minimum standard now is a throw-away plastic syringe with an ultra-thin needle that causes little pain or skin damage. And more and more diabetics are using convenient pre-filled injection "pens".

An alternative hi-tech delivery system is the insulin pump, which infuses insulin slowly and steadily into the patient's bloodstream. Its advantage is that it reproduces the hormone flow of a real pancreas more accurately than injections. The disadvantages include cost (about \$4,000) and the inconvenience of always having a device about the size of a cigarette pack strapped to one's body.

This year Novo Nordisk agreed to promote pumps manufactured by Minimed of the US for its insulin preparations. But the Danish company estimates that only 25,000 diabetics worldwide are on pumps while 750,000 are using its Novopen injection systems.

Research aimed at removing the need for injections or pumps altogether, by developing forms of insulin that could be taken by mouth or as a nasal spray, has given generally disappointing results.

Several groups have come up with experimental forms of oral insulin. The hormone is given a coating, such as gelatin and/or biodegradable plastic, which protects it from digestive juices in the stomach and then releases it into the bloodstream through the intestine walls. But none so far gives sufficiently reliable doses of insulin.

Novo Nordisk spent a lot of time and money developing a nasal insulin preparation, only to abandon the project last year after clinical trials showed that it was not sufficiently effective at reducing glucose levels in the blood.

The benefits of controlling blood sugar as tightly as possible were shown in the results of a nine-year study sponsored by the US National Institutes of Health, which were released in June. Type 1 diabetics who injected themselves three or more times a day or used an insulin pump reduced the risk of complications by more than half in comparison with those who had only one or two insulin shots per day.

The study is likely to stimulate sales not only of pumps and injection pens but also of glucose monitoring devices and disposable test strips, produced by companies such as MediSense.

A quite different approach to better control of blood sugar is based on another pancreatic hormone, amylin, discovered in 1987 by a Medical Research Council group at Oxford University. It appears that Type 1 diabetics are short of amylin as well as insulin, whereas Type 2 diabetics make too much amylin.

A company set up in California to exploit the Oxford discovery, Amylin Pharmaceuticals, is carrying out a clinical trial of AC137, a synthetic version of the hormone. Preliminary results announced this month suggest that AC137 injected with insulin helps to "smooth out" the rise and fall in blood sugar levels.

Amylin is also working with Glaxo, the largest UK pharmaceutical company, to develop amylin blockers as drugs for Type 2 diabetics. Two candidates are due to start clinical trials next year.

Drugs available today for Type 2 diabetics are "oral hypoglycaemics" which stimulate insulin production; the leading manufacturers are Hoechst of Germany and Upjohn and Pfizer of the US.

Other companies are trying to tackle diabetes on a more fundamental level by blocking the auto-immune reactions before they destroy all the patient's insulin-producing cells. Drugs that suppress the immune system, such as cyclosporin, delay the onset of the disease but their side-effects rule them out as routine therapy. The hunt is on for more specific treatments; one candidate is a "fusion toxin" produced by Seragen in the US.

For a diabetic who has already lost all capacity to make insulin, the best long-term prospect may be some form of artificial pancreas. Two US companies, CytoTherapeutics and BioHybrids, have developed technology to transplant insulin-producing islet cells into diabetics; the cells are encapsulated with a semi-permeable polymer membrane to protect them against destruction by the patient's immune system. Both systems work in diabetic animals and are now beginning clinical trials, although they are unlikely to be available commercially for several years.

One of the most active areas of diabetes research is in the treatment of diabetic complications. The first drugs designed to protect kidney, nerve and eye cells from the toxic by-products of abnormal sugar metabolism are beginning to reach the market. "Aldose reductase inhibitors" are one category, pioneered by American Home Products.

Scotia of the UK is carrying out clinical trials of EF4, a mixture of fatty acids extracted from evening primrose oil. It appears to protect nerve fibres by increasing blood flow in the legs, feet, arms and hands.

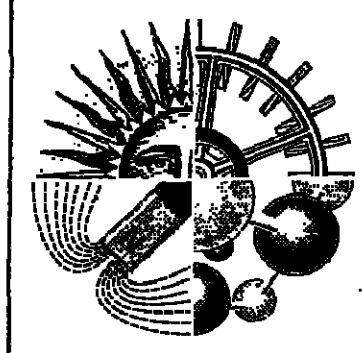
David Tomlinson, professor of pharmacology at Queen Mary's College, London, outlined a more radical approach to diabetic neuropathy at a meeting of the British Pharmacological Society this month. He proposes to repair the damage with neurotrophic factors, recently discovered compounds that stimulate the growth of nerve cells.

The series will continue next month with an article on anaesthetics.

■ Articles in this series over the last six months have looked at pharmaceutical advances in the following areas:

Epilepsy	27 August
Arthritis	27 July
Menopause	25 June
Alzheimer's	24 May
Allergies	29 April
High blood pressure	18 March

Worth Watching · Della Bradshaw



Unlocking a new operating system

Leading US personal computer maker Compaq Computer took a technological plunge on Tuesday with a range of minicomputer-replacement "multi-processor" systems, writes Geof Wheelwright.

Known as the Compaq ProLiant family of "file servers", they have up to four computer processors in a single machine (the highest number ever offered by Compaq).

ProLiant systems will come with specially-designed implementations of Novell's NetWare, SCO's Unix and Microsoft's Windows NT Advanced Server on four compact discs. These CDs can be used with the built-in CD-Rom player to install any one of the operating systems – although users must first contact their Compaq supplier to pay for a software "key" to "unlock" the operating system they choose to install.

This system means users can have immediate access to the network operating system of their choice without having to order it for inclusion with the system. Compaq: US, 713 370 0670; UK, 081 332 3000.

Putting videos in the picture

For those would-be cinematographers with 8mm camcorders, the Korean electronics company Goldstar has introduced a simpler way of transferring recordings from 8mm to VHS format so that the film can be viewed like an ordinary video.

The RDD10i machine is a traditional VHS remote control VCR but with an extra slot for 8mm tapes. By inserting the recorded 8mm tape and a blank VHS tape the reording can be simply transferred. The system also includes basic film editing capabilities to help produce a more professional film. The RDD10i costs £629.99. Goldstar: South Korea, 2 787 1114; UK, 0753 691888.

In tune on the motorway

Every driver knows how dangerous it can be to try to tune in the car radio while driving. German manufacturer Blaupunkt has launched a car radio which could eliminate the problem by displaying all the required information on a colour liquid crystal display screen which sits near the top of the dashboard.

As well as displaying the name of the station to which the radio is tuned, it lists all the stations available, which can be selected using a cursor. The unit can also be attached to a CD player or a navigation system, so that it can display textual data or diagramatic route information. Blaupunkt: Germany, 51 21 49 46 12.

Saving space with the office computer

A computer system which stacks like a hi-fi unit has been developed by Motorola, based on its MC88110 Risc microprocessor. The Series 900 enables five units – the central processor box, memory units, etc to lock together without screws.

The company believes the Unix system can be stacked together by any end-user, and will be bought by companies that want the potential to expand their computing facilities rapidly .

The Series 900 has a five-year warranty on parts and labour. Motorola: UK, 0628 39121.

Fashionable PCs put on the spot

The latest for the fashion-conscious computer owner is a computer system with a spotty case.

Pro City Computers, which sells its wares on London's Tottenham Court Road, has designed new cases for its PCs and stack computers which incorporate a large coloured spot – red, pink, purple, blue, white or black – in the centre of the case. The company reports interest from corporate clients who select the spot to match their logo. Pro City Computers: UK, 071 637 0736.

PEOPLE

Morrissey to join Independent

Newspaper Publishing, publisher of The Independent and Independent on Sunday newspapers, has appointed Patrick Morrissey as chief executive from October 1 and to the board immediately.

Andreas Whittam-Smith, Newspaper Publishing's deputy chairman and editor of The Independent, who announced his intention to stand down as chief executive in July, said yesterday: "The qualities and experience that Patrick brings us are exactly what we need for our next phase of growth."

Starting his career in marketing at J. Lyons & Co, he eventually moved on to the international division of Beecham Group in 1971, where his posts included regional director. Morrissey, managing director of Mirror Group Newspapers between 1985 and 1990, says that his first task would be to "develop a business strategy for the next three to five years".

Since leaving MGN, Morrissey, 52, has been managing partner of The Advantage Partnership, working as a consultant to various publishing companies and newspapers, including the Financial Times.

David Bell, the FT's chief executive, says Morrissey has "been very helpful to us, making a significant contribution to refining the overall strategy of the group."

Morrissey himself said that his time at MGN "gave me experience of the transfer of a newspaper group from loss-making into one making significant profits. But I don't think there are any magical formulas."

■ Bruce Fireman, a non-executive director who has been on the board from the inception, has resigned.

■ Colin McAusland has moved from the FKI group, where he has spent the past five years as managing director of Huwood International, to become managing director of CRABTREE of Gateshead, producers of metal decorating equipment.

McAusland's move is, at least geographically, a small step; Huwood, suppliers of equipment to the mining industry, and Crabtree are barely a mile apart on the Team Valley estate in Gateshead, Tyne and Wear. During his time at Huwood he turned the business from a heavy loss-maker to a profitmaker for FKI.

The Crabtree Group, which floated in June, is now seeking a substantial acquisition. McAusland, 48, is succeeded at Huwood by Alan Davidson, formerly financial director.

■ John Clark, formerly chief executive of J.A. Devenish who became a multi-millionaire after Greenalls takeover of Devenish, has been appointed chief executive of BUCKINGHAM INTERNATIONAL, the property, hotels and nursing group which has just announced a loss of £62.5m in the half year to May 2.

From far and wide to join London Ambulance

Following its problems earlier this year, the London Ambulance Service has appointed four new divisional directors and a director of personnel. An inquiry last year into the failure of the service's computer system had concluded that the single centralised organisation of the service was not appropriate and that there was a need for a strong local focus.

According to Martin Gorham, the chief executive to whom the divisional directors will report: "We wanted it managed on a scale that people could cope with and are now in the position of having the right management team in place. We have the foundations to rebuild the service."

Of the four new operating divisions – central, north east, north west and south London – only one will be filled by a local person: Philip Saunders, former director of north east Thames, crosses the river to become the director for south London.

The other three will be moving south: David Carrington, who was national training and development director in the Scottish Ambulance Service, is appointed to north west London; Owen Disley, former chief executive of the Merseyside Regional Ambulance NHS Trust, at north east London; and Don Page, former chief executive of South Yorkshire Metropolitan Ambulance Service, at central London.

Andrew Brown, personnel director for Nestlé and Clark Foods, has been enticed on board as the new director of personnel.

Goreham says he is not asking his managers to emulate those at the Northumbria Ambulance NHS Trust where a variety of money-raising activities is being developed: "We have hired managers, not entrepreneurs." However, those managers will have to have a commercial awareness in a service where certain activities are being commercially tendered.

The posts carry salaries in excess of £45,000; MSL organised the recruitment campaign.

Insurance moves

■ Alan Nash, general manager – UK operations, has been appointed a director of The EQUITABLE LIFE ASSURANCE SOCIETY.

■ Richard Surface, md, Sun Life International; Richard Gough, md of Sun Life International (IOM); David Wigg, financial controller, Sun Life International (IOM), have been appointed directors of SUN LIFE Global Management. Ian Richardson, group company secretary, Sun Life Corporation, has been appointed Global Management's chairman.

■ Bill Main, formerly general manager - finance at Scottish Equitable, has been appointed to the same position at SCOTTISH WIDOWS.

■ John Blakemore has been appointed company secretary of INDEPENDENT INSURANCE on the retirement of Peter Turner.

■ Neil Utley (below) has been appointed md of COLONNADE INSURANCE BROKERS.

■ Peter Sweet has been appointed a director of C.T. BOWRING Space Projects; Elizabeth Holton, Stephen Lloyd and Edward Verbi have been appointed directors of Bowring Aviation. Adrian Fox, Michael Leathers, Christopher Reeves and Ian Yuraszek have been appointed directors of Bowring Financial & Professional Insurance Brokers. Brian Bolton has been appointed a director of Bowring Marine and Alla Betz and Rinda Gibson have been appointed directors of Bowring Worldwide Insurance Brokers.

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114 including skilled production workers, sales and administrative professionals.

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Approx. 117,350 m² company site, 63,000 m² of which are improved with stables, administration, production, social and warehouse buildings. A large number of the buildings are classified as historical monuments which necessitates immediate reconstruction measures. The site has company streets and parking space available. Supply and waste removal systems are connected to the local municipal network. About half of the company site is presently being leased to approx. 60 firms, the other half is used by "Bördefleisch Magdeburg GmbH" for production.
Note: Because the city of Magdeburg plans another use for the company site mid-term, the investor will be provided with a property of equal value in Magdeburg-Rothensee by the local government where a completely new slaughter-house will be built. Until completion of the new building, the city guarantees inventory protection at the existing company site. This site would continue being possibly suited for storage and distribution.

Location:
Magdeburg, capital of the federal state of Sachsen-Anhalt, approx. 290,000 residents, can be directly reached from the A 2 Berlin–Hannover federal autobahn; Berlin and Hannover are each about 150 km distant.
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Further information about bid submission can be obtained from the Treuhandanstalt, Direktorat U4 A, Telefax: 49-30/31 54-29 03.

Closing date for all bids: 15 October 1993, 12:00 o'clock, Room 3222 in the

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MT/11

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Notice is hereby given, pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at Quaker Meeting House, St James Street, Sheffield, S1 2EW, on 24 September 1993 at 11.30 am. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if a) they have delivered to us at the address shown below, by no later than noon on 23 September 1993, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Dated: 9 September 1993

Signed D J Stokes, Joint Administrative Receiver, Coopers & Lybrand, 1 East Parade, Sheffield S1 2ET

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Music

Uchida launches piano season

London's Wigmore Hall is setting out on the new season with confidence in its step. From the experience of the past year following its refurbishment, it knows that audiences are attracted by the new facilities and is in the position to plan an ambitious programme, notably of singers and pianists.

The "International Piano Season" was launched on Wednesday with a recital by Mitsuko Uchida. Thanks to its fine acoustics and intimate atmosphere the Wigmore has always attracted some top pianists, but this selection seems especially impressive: Ousset, Pires, Schiff, Alexeyev and Donohoe among the 18 to be heard, promising to rival the South Bank's old Sunday afternoon series. If all are as good as Uchida's opening recital, they surely will.

The atmosphere was relaxed, the musicianship rewarding, the encores generous. One sensed that Miss Uchida loves the hall, even if her affection does not extend to its piano. When it re-opened, the Wigmore proudly invested in a new Bösendorfer, but she spurned that gleaming new instrument (I take it the Bösendorfer was the piano unceremoniously shunted to the back of the platform) and played on the Steinway.

What to make of this change? Uchida is not a pianist to call on the Steinway's ringing power, at least not at this venue; perhaps she thought it wiser to steer clear of its brittle, aristocratic rival for this programme. Her opening Haydn Sonata, Hob XVI in D, was anything but chilly or formal. The playing relished every witty harmonic surprise, every dramatic about-turn, using the full range of the Steinway's colours.

When András Schiff played Schubert's unfinished C Major Sonata, D.840, in his Schubert cycle at the Wigmore, he made a point of including the extra fragments. Uchida just played the usual pair of movements, but ironically her performance felt the more complete of the two. Where Schiff had alternated between hushed calm and violent outbursts, Uchida showed how the one grew out of the other, fusing into a deeper, more involving musical personality.

That was the feature that distinguished the whole evening: a desire not to settle into one frame of mind for long stretches at a time, but always to sense shifts of feeling, new emphases, different colours. For Schumann's *Kreisleriana*, which runs from poetry to passion and back again within a page or two, Uchida's darting intellect was well nigh ideal. In the closing minutes the music came close to running away with her, but better that than caution. May all the Wigmore pianists have her adventurousness of spirit.

Richard Fairman

Opera / Max Loppert

A disappointing La Bohème

The new English National Opera *Bohème* is an occasion of several notable firsts: first new production of the opera in London for 15 years; first new production of the 1993-94 season and of the Dennis Marks-Sian Edwards ENO administration; first Coliseum new production to be conducted by Miss Edwards; first ENO collaboration of Steven Pimlott (producer) and designers Tobias Hoheisel (sets) and Ingeborg Bernerth (costumes); house debuts of the American soprano Roberta Alexander (Mimì) and the Welsh baritone Jason Howard (Marcello); first outing for the new Jeremy Sams translation.

It is, as it happens, not the first *Bohème* to have left me utterly untouched – uncharmed in the early acts, unmoved in the later – but it is one of the most completely disappointing. While evidently much hard thought and concern for practicability went into its preparation, the total effect, as executed on Wednesday, is of a strained, fitful ingenuity circumscribing the opera's emotional amplitude. That the music seems to be offered in exact parallel – with bright moments in the orchestral delivery and passing pleasures of vocal utterance but with no overall unity of style or command of dramatic paragraph – hardly helps.

Pimlott and his team have updated the opera to Paris in the 1950s (even if period detail seems vague, sometimes contradictory). Their more widely publicised novelty is to have joined up the four acts without interval and presented them in a single set – a large, cold, ugly "studio space" divided down the middle by columns, capable of responding to different scenic demands at speed though seldom with any gain in real dramatic fluidity (the Barrière d'Enfer roll-call makes no sense whatsoever).

In a programme note the producer suggests that doing the opera this way might permit a fresh concentration on the opera's "labyrinth of relationships", a fresh illumination of the distinction between the everyday and the poetic in its dramatic unfolding (underscored by Hugh Vanstone's fidgety lighting plot). I understand the point he hoped to make. I find little evidence that he has actually done so.

The Left Bank revelry is a Big Number – Musetta, a tall, svelte Crazy Horse siren as embodied by the handsome, warm-voiced Cheryl Barker, strips to her *gaine-combinaison* atop a table – indicating that Mr Pimlott's success in West End musicals has a heavy influence. Even here, however, a joyless pseudo-efficiency blights the scene's simpler pleasures (apart from an indomitable, word-relishing Alcindoro from Donald Adams, which he doubles with Benoit).

Most of the time the production is a *Bohème* graph-analysis rather than a full-blooded *Bohème* experience. There are exceptions to this rule: the precisely touched-in details of the Bohemians' domestic life and their different psychological roles therein (Christopher Booth-Jones's prissy, super-sensitive Schaunard and Andrew Slater's Colline, surface-fuzzy but razor-sharp beneath, are two of the show's plusses), and Marcello's exuberant, volatile temperament (Jason Howard, in spite of intermittent excesses of unvaried loudness, is the evening's star). For once, unfortunately, Jeremy Sams's skill as deviser of new and witty English rhyme-schemes and word-plays comes across as fearfully self-conscious, and so the mood of the domestic encounters tends to be compromised.

Miss Edwards's first ENO *Bohème* veers between galumphing boisterousness, with word-covering and voice-drowning a perpetual threat, and swoony sentimentality. She is alive to the beauty and exact purpose of Puccini's Act 3 scoring; her reading will surely develop beyond this erratic, unfocused start. She needs to cherish her Rodolfo a good deal more – John Hudson, pure-toned, small-scaled, inexperienced – and likewise cosset Miss Alexander's "difficult" (and on Wednesday sometimes fugitive) top register.

As an admirer of this soprano's heartbreaking Glyndebourne Jenufa and, in general, of her distinctively colourful vocal style, I admit to a special disappointment at the curiously blank quality of her ENO Mimì. She has been invited to underplay the illness, a good idea that – like the staging as a whole – seems to have gone badly wrong somewhere between rehearsal room and opening-night performance.

Jason Howard and Cheryl Barker

ENO at the London Coliseum, St Martin's Lane, WC2: in repertory until October 27; production sponsored by The I.I.R. Group.

Ballet/Clement Crisp

The saga of 'Anna Karenina'

The albatross round the neck of our ballet companies, the gun pointed at classical dance's temples, is the three-act ballet. At the box office they know the ghastly truth: an evening of three one-act ballets keeps the audience away in droves. A full-length piece will fill the house. This preposterous situation is owed, I suspect, to the Royal Ballet's success in making the old "classics" popular with audiences, and in then producing choreographers – Ashton, Cranko, MacMillan, Bintley – able to make valuable extensions of the genre. With emulative snobbery, other troupes have, since the 1950s, led audiences to believe that three acts of choreography is better than three separate works, that big is beautiful, packaging more important than content.

Our ballet companies are now Frankensteins, hostage to their evening-long monster. Large or small, they produce what their public paymasters want. Literature, opera, can be gutted for theme, irrespective of the original, provided that the title is well-enough known. In the darkest days of Stalinism, Soviet ballet found a creative refuge in such policies: today's imperatives are those of financial rather than artistic survival. And ballet is dying on its carefully-pointed feet because of this. Where the three-acters of Ashton, Cranko, MacMillan, extended and developed the idea of the large-scale piece, today's offering are facile, safe, unthinking.

Scottish Ballet under the choreographic direction of its founder, Peter Darrell, produced work that sought to show the possibilities of the form: his *Sun into Darkness* and *Mary, Queen of Scots* (with a brave score by Thea Musgrave), were adventurous. The company's latest acquisition, Andre Prokovsky's *Anna Karenina* is predictable. Prokovsky has produced several long ballets: his programme biography lists *The Three Musketeers*, *Dr Zhivago*, *The Great Gatsby*, *La Traviata*, *Macbeth* and *Victoria*. *Anna Karenina*, dating from 1979, is what one might expect, given the score (a Tchaikovsky hot-pot), theme (parts of a Tolstoyan skeleton), and designer (Peter Farmer at his most vaporous).

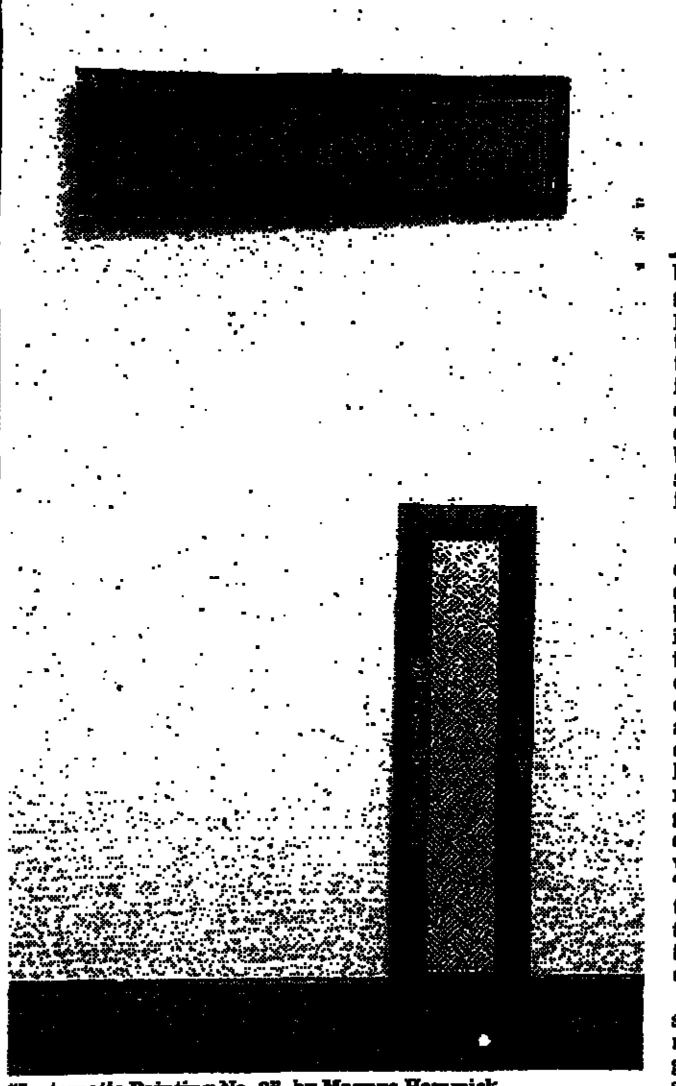
The action amounts to "unhappy married woman takes lover and chucks herself under train". The choreography does what it does, and has to provide ensembles – a skating scene; a ball replete with dancers failing to convince us they are aristos; peasants romping – to give Anna and Vronsky time to change from one dull outfit to another. The rest of the cast tread dutifully round the edges of the action.

It is all well-meant and rather musty. I could see, during Tuesday night's performance at the Kings Theatre, Edinburgh, that with the artistry of Galina Samsova (now director of the company), the role of Anna – which Samsova created – might be fascinating. Noriko Ohara's Anna did not convince me, nor did Robert Hampton's Vronsky. Vladislav Bubnov, a recent recruit from the Bolshoi Ballet, showed in a couple of brief interludes a freedom and spaciousness of style that were a reproach to every other body on stage.

Scottish Ballet performs *Anna Karenina* on tour to Aberdeen, Liverpool, Hull, Sheffield, Inverness, until end-October

Art Exhibitions / Lynn MacRitchie

Young pretenders see it their way



"Instamatic Painting No. 3", by Magnus Hammick

As I left London's Tate Gallery after previewing the exhibition of Picasso's sculptures to be held there in the spring, a gleaming black carrier bag was pressed into my hand. My nostrils caught an aroma suggestive of first class hotels, gleaming lobbies, scented guests crowded in a lift. The carrier concealed another tiny bag, a black satin purse containing a sample of perfume and a miniature lipstick.

A scarlet leaflet, boldly titled "Works of Art" was not a list of the sculptures by Pablo Picasso about which we had just been lectured by Dr John Golding, but a series of essays on the Art of Fragrance, the Art of Beauty and the Art of Colour, promoting the perfume and make up which Picasso's daughter Paloma has sold in her name. This very Nineties moment, the conjunction of great art and an utterly trivial commercial object, was one which many of the artists in "Wonderful Life", my next destination, would have relished, the little bag an appropriate talisman for a journey from one way of seeing to another.

It is fitting that the Lisson show, which has run all summer, continues into October, giving an opportunity to consider this selection of younger British artists working in a manner which could be described as "conceptual" with the masters of painting who dominate the 'major galleries' autumn schedules. Surely the dedication of Lucian Freud or of Agnes Martin must put these young upstarts to shame?

While there is no denying the power of a lifetime's labour, the moving evidence of the struggle to render form and meaning in paint, the Lisson show is also striking. For the younger generation clearly demonstrates, as well as a great inventiveness and variety of approach, a consciousness of a particular history, that of the international conceptual and minimal art movements of the 1960s and 1970s which this work both acknowledges and takes forward. Partly this is an effect of place: the Lisson has been the champion of such work for more than 20 years, an achievement summed up by "Out of Sight, Out of Mind" held earlier this year to coincide with "Gravity and Grace" the Hayward's own attempt to give a historical placing to the work of that era.

However, the young artists wear their history lightly. Their works are not pastiches or tributes but emerge from a consciousness which has absorbed the lessons of predecessors such as Carl Andre, Daniel Buren or Michael Craig Martin among many others, and imbued them with a contemporary sensibility, a sensibility which accepts the complexities of the modern, technologised world as a matter of course, absorbing both its most inspiring and its crassest aspects as equally valid food for thought.

The use of non-traditional media such as film, video or photography, so innovative 30 years ago, is second nature to them, while the sacred integrity of the image, so hard won by masters such as Picasso, also comes into question in an age of endless reproduction. These artists play comfortably with such concepts, their concern not so much the achievement of any kind of formal "solution" but rather the creation of a shared awareness of just how deceiving, and how inspiring, this world can be.

Much of the work makes use of particular technical devices to deepen its meaning. In his "Instamatic Paintings", Magnus Hammick includes unfixed Polaroid prints which will eventually darken completely, the image destroying itself as the temporary notoriety of their references (Asil Nadir, Damien Hirst) also fades, leaving only the odd, rough cases in which they are presented to become relics of recent history.

Siobhan Hapaska, in "Heart", presents a wall-mounted minimal sculpture which is also a loudspeaker broadcasting the strange babble of satellite communication channels. But the technical devices employed can also be very simple. Don Brown, in "12 Unpainted figures/Paris 1989" frames singly tiny individual figures from one photograph of a crowd, their blurry outlines emphasised by the pristine white mounts suggesting not only their anonymity but also their fragility. For, although happy to exploit technology, these artists do not celebrate its wonders, rather reuse them to turn the attention back on individual experience.

Some also demonstrate a rather touching concern with nature. Christopher Bucklow uses a pinhole camera to capture on photosensitive paper "The Beauty of the World", the effect of the sun's rays at different times of day determining the colour of the print (a variation on a glorious pinkish mauve.) To make "Pear-Hawthorn Tree" Bucklow worked with the late gardener Robert Garner, who grafted the hybrid of the title, a conjuncture decided on for artistic rather than practical effect, the wonder lying in the skill as well as in the finished product, displayed in an earthenware pot.

The show also has a political dimension, in the work of Christine Borland, for example, but the politics are presented not as heavy statements of dogma or intent but rather as investigations of consequences. Borland has had a .22 Beretta semi automatic rifle fired at a sheet of glass, the resulting shattering beautiful in itself but demonstrating very clearly just what would happen to flesh in such an encounter. Her "Blanket used on police firing range, Berlin: repaired" while clearly showing the bullet holes in the mundane brown fabric also shows how wounds can be mended, with care.

This insistence on looking – that we should see not only what might be there, but what it might *mean* – is the most refreshing and challenging aspect of this show. It makes the work of those participants who demonstrate it (and not all are working with quite this subtlety or quality) well worth watching.

"Wonderful Life", Lisson Gallery, 52-54 Bell Street, London NW1, until October 16.

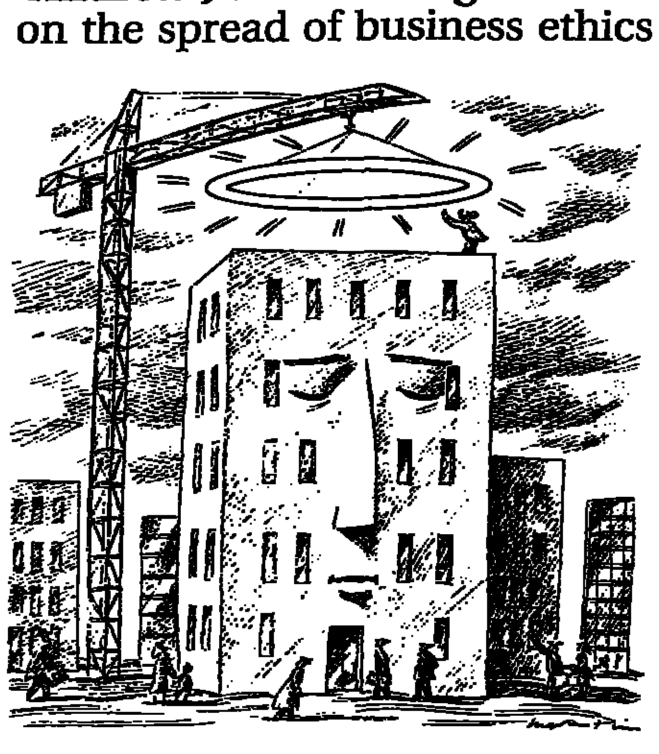
INTERNATIONAL ARTS GUIDE

■ EXHIBITIONS GUIDE

AMSTERDAM
Van Gogh Museum Philippe Rousseau and Louis Welden Hawkins: neither Rousseau's still-lifes nor Hawkins' symbolist and decorative paintings are the work of a master, but they recall the striking role these 19th century French artists played in their own milieu. Ends Nov 14. Daily
Rijksmuseum Rembrandt in a new light: seven restored paintings. Ends Nov 1. Closed Mon
ANTWERP
Ethnographic Museum Masks from Zaire: an extensive collection from the Zaire basin, selected for their cultural as well as aesthetic value. Ends Dec 31. Closed Mon
Museum Mayer Van den Bergh The Triumph of Death (1626): a recently-discovered painting by Pieter Brueghel the Younger, on public show for the first time. Ends Dec 31. Closed Mon
Hessen House Story of a Metropolis: a portrait of the Golden Age of Antwerp in the 16th and 17th centuries. Ends Oct 10. Closed Mon
Onze Lieve Vrouwekathedral Antwerp altar pieces of the 15th and 16th centuries. Ends Oct 3. Daily
BASLE
Kunstmuseum Picasso: drawings covering all periods of the artist's work, selected from the museum's collection and supplemented by loans from the Schaub-Tschudin Foundation. Ends Oct 10. Daily
Museum für Gegenwartskunst Rémy Zaugg (b1943): 150 large screenprints. Ends Sep 26. Closed Mon
BERLIN
Martin-Gropius-Bau Japan and Europe 1543-1929. Ends Dec 12. Closed Mon
BONN
Kunst-und Ausstellungshalle The Desire to See: 500 paintings, projections and installations from 12 countries. Ends Oct 10. Alexander Calder: 12 sculptures. Ends Sep 30. Closed Mon
Kunstmuseum Markus Lüpertz (b1941): 170 paintings and drawings. Ends Sep 26. Closed Mon
FRANKFURT
Städel Gustave Le Gray and Carleton Watkins, Pioneers of Landscape Photography: a collection of large mid-19th century photographs of French and American landscapes, from the **Getty Museum.** Ends Nov 7. Closed Mon
HAMBURG
Deichtorhallen Andy Warhol: 120 paintings and objects. Ends Sep 19. Ettore Sottsass (b1917): furniture, glass and ceramics by the influential Italian architect and designer. Ends Oct 24. Closed Mon
LONDON
Royal Academy of Arts American Art in the 20th century: highlights the development of American painting and sculpture from the time of the Armory Show in 1913 to the present. Artists include Marsden Hartley, Georgia O'Keeffe, Marcel Duchamp, Edward Hopper, Arshile Gorky, Jackson Pollock, Jasper Johns, Andy Warhol, Robert Ryman and Bruce Nauman. Ends Dec 12. Pissarro's Series Paintings. Ends Oct 10. Daily
Whitechapel Art Gallery Lucien Freud. Ends Nov 21. Closed Mon
Institute of Contemporary Arts Jean Nouvel. Ends Oct 25. Daily
Hayward Gallery Aratjara: the most comprehensive exhibition of Aboriginal art seen in Europe. Ends Oct 10. Daily
Tate Gallery Edward Burne-Jones. Ends Nov 7. Daily
National Gallery The Wilton Diptych. Ends Dec 12. Daily
MANNHEIM
Reiss-Museum The World of the Maya: 300 examples of early Indian art from central America before the Spanish conquest. Ends Jan 16. Closed Mon
MUNICH
Kunsthalle der Hypo-Kulturstiftung Dada: 150 paintings, drawings and collages by Marcel Duchamp, Man Ray, Max Ernst, Ribemont-Dessaigne and leading German exponents. Ends Nov 7. Daily
Villa Stuck Max Beckmann: 190 prints, woodcuts and lithographs. Ends Nov 14. Donald Judd (b1928): furniture designed by the American sculptor. Ends Oct 3. Closed Mon
Alte Pinakothek Homage to Caspar Wolf: retrospective of the late 18th century Swiss landscape artist. Ends Oct 24. Closed Mon
Haus der Kunst Horst Antes: 90 works by the 56-year old German painter. Ends Oct 10.
Lenbachhaus Auguste Chabaud (1882-1955): retrospective of a neglected French contemporary of Picasso. Ends Oct 24. Idealism and Nature: 100 watercolours by Munich artists 1780-1850. Ends Oct 3. Closed Mon
NEW YORK
Metropolitan Museum of Art The Annenberg Collection: 53 impressionist and post-impressionist paintings, watercolours and drawings, surrounded by the museum's own world-renowned collection of 19th century European paintings. Works by Boudin, Braque, Cézanne, Gauguin, Manet, Matisse, Monet, Picasso, Renoir, Seurat, Van Gogh and others from the Annenberg collection, flanked by a room devoted to Renoir and Fantin-Latour, two devoted to Monet, another to Cézanne, a fifth to Van Gogh, Gauguin and Seurat, and a sixth to Pissarro and Sisley. The exhibition opens on Tues. The Annenberg Collection is on display till mid-Dec. Closed Mon
Guggenheim Museum Paul Klee: 60 works. Ends Oct 31. The main museum is closed on Thurs, the SoHo site on Tues
Museum of Modern Art Marco Zanuso and Richard Sapper: 20 objects by the Milan-based industrial and architectural design team. Ends Nov 9. Gabriel Orozco: first US one-man exhibition by the Mexican sculptor and photographer. Ends Oct 18. Closed Wed
Whitney Museum of American Art Hopper in Paris. Ends Oct 3. American Art in Transition 1955-62. Ends Oct 10. Vija Celmins (b1938): 70 paintings, sculptures, prints and drawings by the Latvian-born artist, best known for her paintings of household objects, war-related images and abstract landscapes. Ends Nov 28. Closed Mon
PARIS
Museé d'Orsay From Cézanne to Matisse: Masterworks from the Barnes Foundation. An extraordinary exhibition of 80 impressionist and post-impressionist paintings, with Renoir, Cézanne and Matisse as its stars. Cézanne's large group of card players is accompanied by the Orsay's much smaller painting of just two players. Among the Renoir nudes, a composition of the artist's family stands out by the psychological truth with which he portrays each member of the group. Confronted by the Orsay's pointillist Calme Luxe et Volupté, Matisse's Bonheur de vivre is an outburst of spontaneity and colour ushering in the fauve period. Also represented are Monet, Van Gogh, Gauguin, Toulouse Lautrec and Seurat. The exhibition ends with a luminously graceful young girl from Picasso's rose period, and a 1905 painting of acrobat and harlequin facing the world with the firm self-confidence of youth. Ends Jan 2. Closed Mon, late opening Thurs
Petit Palais Masterworks from Leipzig: 65 oils and 104 drawings from Leipzig's public art collection, comprising works of the German renaissance, 17th century Dutch paintings, 16th and 17th century Italian drawings and the German romantic movement. Ends Dec 5. Closed Mon
Museé de l'Orangerie Art in Paris at Paul Guillaume's: an exhibition devoted to the collection of modern and African art left to the museum by one of the prominent dealers of the 1920s. Ends Jan 3. Closed Tues
PRAGUE
Convent of St Agnes of Bohemia 20th century German and Austrian Architecture in Moravia and Silesia. Ends Oct 17. Closed Mon (U Milosrdnych 17, Stare Mesto)
Wallenstein Riding School Art For all the Senses: 200 works of interwar avant-garde art in Czechoslovakia. Ends Sep 26. Closed Mon
Kinsky Palace Max Ernst: 300 prints and book illustrations. Ends Oct 3. Closed Mon
VALLE D'AOSTA
Saint-Benin Centre
Archaeological Museum Gauguin and painter-friends in Brittany: the exhibition aims to show why the Brittany of Pont-Aven and Le Pouldu was a chosen land for Gauguin and fellow-artists Emile Bernard and Paul Serusier. Ends Nov 7
VENICE
Palazzo Grassi Modigliani: a collection of 430 drawings by the greatest Italian painter of the 20th century. Ends Jan 4. Daily
Fondazione Cini Francesco Guardi: 50 works by the 18th century veduta painter, whose free handling and atmospheric effects stand in marked contrast to the meticulous Venetian views of Canaletto. Ends Nov 21. Closed Mon
VIENNA
Albertina Landscape in the Century of Rembrandt: a survey of 17th century landscape drawings by Rembrandt and other Dutch artists of the period, from the museum's own renowned collection. Ends Nov 14. Daily
Kunsthalle The Language of Art: a survey of the relationship between text and picture in 20th century art, from the Cubists to the present day. Ends Oct 17. Closed Tues
Kunsthistorisches Museum Cultural materials of the Jewish diaspora in Ukraine. Ends Nov 7. Closed Mon
WASHINGTON
National Gallery of Art Lovis Corinth: 74 prints and drawings by the turn-of-the-century German realist painter. Ends Feb 21. Daily
Walters Art Gallery Kabuki Prints by Hirosada: designs by the 19th century Japanese printmaker. Ends Sep 26. Artists of Ecouen. Ends Feb 6. Closed Mon
ZURICH
Kunsthaus Bernard Frize: 30 large paintings by one of France's leading abstract artists. Ends Oct 17. North American Indians: paintings, drawings and photographs from the late 19th and early 20th century. Ends Nov 14. Closed Mon
Graphische Sammlung der ETH Swiss Graphic Art from Alberto Giacometti to Urs Lüthi: an exhibition covering the past 50 years, with work by eleven artists. Ends Sep 24. Closed Sat and Sun

What price a corporate halo

Andrew Jack and **Hugo Dixon** on the spread of business ethics



Nearly 150 academics and executives have gathered in Norway this week to discuss developments in a subject which, in spite of the recession, is growing fast:business ethics.

As a discipline, ethics has taken root in universities and business schools across the US, the UK and elsewhere. This month, Jack Mahoney, a Jesuit priest, takes up his post as professor of business ethics and corporate responsibility at the London Business School. Leeds university and Manchester Business School have made similar appointments in the past two years. Other educational centres in the UK, such as the Cranfield Institute of Technology, have followed the lead of US business schools and started courses in business ethics.

The subject is not banished to the academic world. Managers and consultants almost match the number of academics at the Norway conference. Prof Mahoney's chair is funded by a £1m bequest given by Mr Stanley Kalms, chairman of Dixons, the high street electrical goods retailer, from the group's charitable trust.

Almost one-third of large UK companies and four-fifths of their US counterparts now have codes of ethics. Most set guiding principles for the organisation, as well as covering specific areas such as buying policies, safety and environmental responsibilities.

For example, National Westminster Bank's code of conduct, published in April, sets out the proper behaviour for its 90,000 staff in cases where interests conflict and on accepting entertainment from outsiders.

Mr John Drummond, director of Integrity Works, a London-based ethics consultancy, says one reason for companies to adopt ethics codes is to avoid corporate embarrassments. He says British Airways introduced a code of conduct after the bad publicity created by its "dirty tricks" campaign against its competitor Virgin.

But he stresses that there are also positive reasons for companies to adopt codes - particularly the perception that good ethics are good business. Based on experience he gained at NatWest, he argues staff actually want to discuss how they should conduct business. "People want to talk about ethical issues," he says.

Dixon's Mr Kalms explained his interest in business ethics in personal philosophical terms. "Behind the bluff exterior of the practitioners of the art of business are often citizens with doubts, moral uncertainties, even spiritual black holes," he said recently.

Lord Laing, who as chairman of United Biscuits was one of the first industrialists to introduce a code of ethics into a British company, says: "On the whole, business has a bad image. Anything we can do to improve it we should."

But the justification Lord Laing offers can only fuel the suspicion that ethics codes are more about marketing a company than altruistic or philosophical considerations. An example of the value of ethics as a marketing tool is the 12-point code launched by the Co-Operative Bank last year which stated that the bank would no longer lend to businesses or organisations involved in activities such as blood sports or environmental destruction. Whatever the bank's wider motives, Mr Terry Thomas, managing director, has spent considerable sums using the code as a way of attracting new business. The value of customer deposits at the bank was 9 per cent higher in the six months to July this year than the corresponding period in 1992.

Though the example of the Co-Operative Bank re-inforces claims that ethics codes help boost earnings, there is a counter argument that they divert attention from what some would regard as the principle task of a company - serving the interests of shareholders. Mr Ian Smedley, a member of the Institute of Directors, cites from Adam Smith's The Wealth of Nations to argue that profit making should take priority and may be incompatible with the kind of business ethics being advocated by academics: "It is not from the benevolence of the butcher, brewer or baker that we expect our dinner, but from their regard to their own self-interest." Norman Barry, professor of political philosopher at Buckingham University, says: "A lot of business ethics is posturing." He sees ethics as a diversion that threatens to turn companies into "welfare agencies", blunting their competitiveness.

In defence of the explicit setting of ethical standards, Prof Mahoney, of the London Business School, admits that, "one might be ethical and end up out of business," but he says the subject cannot be dismissed easily. "The conduct of business is a major part of human activity, so one would need a good reason to think ethics does not apply."

Mr Stanley Kiaer, of the Institute of Business Ethics in London, says there is a strong element of self-interest to embracing business ethics. "If you want good treatment from your suppliers, employees and customers, you have got to show that you will do well by them," he says. "If you don't have contented employees, sooner or later you will have trouble."

One difficulty critics find in taking business ethics seriously is that its theoretical roots are still rudimentary. While ethics has long been taught in philosophy and theology departments, thinking on its more practical applications is less developed.

There is also a more practical problem: the difficulty of evaluating how effective codes of ethics have been in practice. For instance, General Dynamics, the US conglomerate, introduced a code in 1985 which it has distributed to its employees and covers topics such as receiving gifts from outsiders.

Between 1985 and 1991 the code and a related staff communication programme generated nearly 30,000 inquiries from staff, provoking 1,419 sanctions such as reprimands and demotions. Some 165 employees have been sacked. But Mr Kent Druyvesteyn, vice-president for business ethics and equal employment opportunities, stresses that any attempt to quantify the economic gains derived from the company's code would be "so difficult that it would be nonsensical". He rejects the notion that there is any simple connection between General Dynamics' stance on business ethics and profitability, and he says the code does not attempt to instil basic moral values.

"We're not in the business of replacing missing virtues in our employees, but we owe it to them to tell them about slippery spots inherent in the business process," he says. "In a society with a web of rules and regulations, that makes good practical sense." Detractors of ethics as a subject worth taking seriously in a corporate environment will probably need more convincing, but General Dynamics' pragmatism seems to be shared in a growing number of companies.

Joe Rogaly

Opportunists in waiting

The Liberal Democrats are the scavengers of British politics. These are not my words; I take the observation from Mr Jack Straw, a Labour frontbencher. The Lib-Dems, says he, are politically promiscuous. "They form casual relationships of convenience with whatever party offers them the prospect of power," he writes in Renewal, a quarterly journal of Labour politics.

Mr Paddy Ashdown, scavenger-in-chief, must be delighted. He would not use Mr Straw's imagery, but he would have to agree, possibly with pleasure, that the insight is perfectly accurate. Since the April 1992 election, Mr Ashdown's strategy has been to advertise his party's moral superiority, while waiting to see which way history would take him. So far the answer is: further than anyone might have imagined in 1989, when the reincarnated soul of the old Liberal-SDP Alliance was struggling for survival in a new body.

How long ago that now seems. First Sir Norman Fowler, chairman of the Conservative party, identifies the Liberal Democrats as the principal threat to perpetual Tory rule, and sends the prime minister scurrying around the country to stop the rot. Then along comes a senior Labour politician to argue, as does Mr Straw in his Renewal article, that in many of the Labour heartlands, the Midlands apart, the Lib-Dems have replaced the Tories as Labour's main opponents.

It would be neat, would it not, if during the 1990s the everlasting third force in British politics cleft the Conservative party in two, destroying it as the Alliance did Labour in the 1980s. Perhaps this is the kind of fancy that leads Mr Straw to reject pacts or co-operation with the prince of scavengers. The fools who advise Labour that "one more heave" is all that is required for Mr John Smith to become prime minister in a government commanding a socialist majority will be heartened by his analysis.

There is another view, often rehearsed in centrists' dreams: that the Liberal Democrats will become the alternative party of government by the end of the century, as were the Liberals at the beginning. When this thought-bubble rose above Alliance leaders' heads in the mid-1980s it was based on the likely demise of Labour; today it is the Tories who seem to be crumbling. We may hear some heady talk of the Liberal Democrats becoming the party of government during their annual conference in Torquay next week, although Mr Ashdown has warned his followers, who are flushed with local and by-election success, not to crow.

Since their fourth election victory, the Conservatives have governed only in the sense that the Marx Brothers once ran an opera house

The truth is that most people are more fed up with traditional politicians, and the two main parties, than they have been for many years. The new right has outplayed its hand; the old left has become an anachronism. The market for Ashdowns is wide open. Any leader who is untainted by office, or the prospect of an immediate ascent to power, is in a position to attract attention, as is any interesting-looking new non-socialist party. This is not a uniquely British phenomenon, as we can see from the rise of Mr Ross Perot in the US and the Northern League in Italy.

Mr Ashdown has particular advantages in riding this historic wave. The Labour party is beginning to look unmodernisable, at least to the degree sufficient to make it palatable to the southern voters it must win over if it is to form a government on its own. The Conservatives are led by the least popular prime minister on record. Since their fourth general election victory last April, they have governed only in the sense that the Marx Brothers once ran an opera house.

Mr John Smith is uninspiring. Mr John Major is cursed by a worse affliction. He is unlucky. His latest torture is to endure the wrath of Mr Norman Lamont, the man who less than three years ago ran his campaign for leadership of the party. The former chancellor does not enhance his own dignity by his persistent efforts to justify his past. He should let future historians do that. They may be kinder to his tenure of the Treasury than are most contemporary commentators. He missed his chance for glory a year ago, when he allowed himself to be persuaded not to resign following the departure of Britain from the exchange rate mechanism of the European monetary system. He should have *insisted* on resigning. It is Mr Major's humiliation to have such a man for an enemy.

From the Liberal Democrats' point of view, nothing could be sweeter. The message the public is being given about the Conservatives is that they are not only incompetent, they are tearing one another's eyes out. Every new snippet of political or economic news is analysed for its likely effect on Mr Major's future. The betting is turning against his survival in office until the next election. I am not sure how far the Tories have thought this one through. Throw out a leader every few years and a party may get a name for inconstancy.

You may protest that none of this is serious. What matters is policy, not personalities. We shall hear a little about political programmes and values during the next three weeks, as first the Liberal Democrats, then Labour, and finally the Conservatives meet in conference. The British polity being what it is, however, we shall hear far more about personalities. Will Mr Smith defeat the unions? Will Mr Lamont topple Mr Major?

The policy divide is between the anarchists of the new right whose thought still predominates among Tories and the conservatives in the other two parties. The latter want the re-establishment of a structured society governed by familiar institutions, including local authorities, and new regional parliaments. They regard individuals as citizens, not mere consumers. They are greener and more pro-European than the Conservatives. Labour is encumbered by a persistent dependence on trade union links and a nostalgic hankering after equality of outcomes. The Liberal Democrats favour competition, intervention only where markets fail, and equality of opportunity.

In short, Mr Ashdown's philosophy is what Labour's could be if the party was genuinely modernised. He even has the great merit, regarded with a jealous sigh by some Labour frontbenchers, of leading a party untainted by the word "Labour" in its name. This may not be enough. When the Tories are really up against it, we shall learn the true meaning of the phrase "political scavengers".

LETTERS TO THE EDITOR

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Pay is top priority for union members

From Mr Allan Kerr.

Sir, David Goodhart's article on the future of trade unionism ("On the lookout for the vision thing", September 6) cites a study I carried out for Nupe in 1989 (not 1992 as stated). But the conclusions that he draws, namely that among low-paid public sector workers, advice on disciplinary and grievance issues comes ahead of collective bargaining as the reason for joining a union, is almost certainly no longer valid.

Four years ago national pay bargaining was dominant, and did not directly impinge on the workplace. But government initiatives, such as contracting-out, National Health Service trusts and local management of schools, mean that pay negotiations are increasingly a local matter. Consequently, pay bargaining is now likely to be accorded top priority by union members. Finally, and most importantly, it is essential to recognise that individual advice and representation is a key benefit of trade union collective organisation.

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Directors' pay increasing as profits fall and debt rises to pay dividends

From Mr J Dennis Henry.

Sir, Your article on directors' earnings only touched on the surface of this problem ("Directors' pay shoots ahead", September 9). A larger study of the 529 companies from the FT-SE 500 which have year-ends from September 1992 through to May 1993, with a total turnover of £511bn, shows that the highest paid directors averaged increases of 10.4 per cent. The second and third highest paid directors achieved increases of 9.3 per cent.

While their companies increased turnover by 6.7 per cent, the profit before tax fell by 13.9 per cent with margins slipping 1.3 per cent overall. Ordinary shareholders' profit fell by 19.5 per cent but dividends rose by 7.7 per cent. This left the retained profit needed to finance the growth of the businesses down 32.7 per cent. The result was that many had to borrow more money to finance their dividends.

The average highest paid director received 10.4 per cent more while profits fell by almost 14 per cent. Yet this glosses over the many cases where much higher increases were paid for even poorer results. There are too many to list here in total and to identify only a few would be unfair. Overall, the profit per pound of directors' emoluments has fallen by one-third in one year.

The time is now here when rewards, at all levels, should be more closely tied to changes in the real wealth created. When senior directors received rises of about 10 per cent, the total wage bill rose by 2.3 per cent, the actual change in added value created by these 529 companies fell by 4.2 per cent and it was from this depleted added value that the 7.7 per cent increase in dividends was paid. No wonder the retained profits fell and borrowings increased.

If the institutions used their influence on boards to link remuneration more closely to wealth created it would ensure that everyone's eyes were on the same ball. Were each of the above companies then able to improve by only 1 per cent in key areas, other than by raising retail prices, they would increase their added value by 6.9 per cent and their profit before tax by 30 per cent. This would raise the added value-to-pay ratio from its present 1.66 to where it was only two years ago, at 1.78. The margin would increase from its present 6.82 per cent to 8.9 per cent; this compares with 9.09 per cent only two years ago. Such improvements would, in themselves, not justify increases as they would only be taking us back to where we were two years ago.

Substantial increases should only follow large real gains.

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Organisation at root of stress

From Mr Nigel Bryson.

Sir, While Lucy Kellaway notes that Silvea Thomas "finds stress everywhere", it is unfortunate that she promotes such a superficial remedy for workplace stress (Management: "Give yourself a pat on the head", September 8).

Stress at work is mainly caused by employers failing to identify clearly what employees' tasks are; give the training and support to do those tasks; offer any system to resolve difficulties as they arise; and provide a reasonable work environment.

So if 5,000, 10,000 or 15,000 workers are sacked (sorry, "made redundant"), I hardly think that "stroking their hair or inhaling deeply" is going to be of much help to them or to those remaining – who, after all, are left to pick up the work of those made redundant.

While there are measures that can help individuals, it is much more effective to deal with stress organisationally. At least the law in the UK recognises stress as an issue of health at work. Since January this year, employers *must* undertake a risk assessment of *all* health and safety hazards. This includes stress.

Why wasn't this even mentioned?

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Total cost of caesarean births in UK is unnecessarily high

From Miss Barbara Hewson.

Sir, Three cheers for Joe Rogaly ("Birth rights and wrongs", September 14). The costs to the taxpayer of unnecessary caesareans is huge. In 1989, a caesarean cost £1,123, compared with £363 for a normal delivery (House of Commons Health Committee, Maternity Services, vol 3). Leading research shows little improvement in outcome with a caesarean rate over 7 per cent (Enkin Keirse & Chambers, A Guide to Effective Care in Pregnancy and Childbirth).

As some 650,000 women give birth in the UK each year, my guess is that a national caesarean rate of 13 per cent in 1992 may have increased public expenditure by some £30m.

Judging by the evidence heard by the health committee, the medical profession engages in serious anti-competitive practices, in obstructing women's access to midwives. GPs rarely inform women of their right to a home birth with a midwife, referring them straight to hospital and an obstetrician. Some obstetricians threatened women wanting home births with detention under the Mental Health Act unless they agreed to a hospital birth. Others told women that they "needed" caesareans and had to go into hospital. There, the need for surgery vanished: they delivered normally.

The Royal College of Obstetricians gave evidence that its practice was to withhold information on risks of hospital births (though not of home births!) from women.

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Security of Israel dependent upon a successful Palestine

From S Goldman.

Sir, Andrew Gowers is to be congratulated for his. well informed Middle East feature, "Fragile hopes light the horizon" (September 8). He shows great insight into Israeli-Palestinian affairs and his article is very well balanced.

I would just like him to reflect upon his contention that the Palestinian issue is "at the heart of the Arab-Israeli conflict", because although it has provided a useful rallying call for Israel's warring neighbours, I doubt the Arab nations have every really wanted a separate Palestinian state.

Mr Gowers may agree with me that the heart of the Arab-Israeli conflict lies in the very concept of a Jewish state existing in the midst of Islam and that sore will never go away, even if Israel were to retire completely to its recognised borders.

There will never be a day when Israel can relax its security vigil, nor can I visualise a time when the dictatorial Arab states will not fight among themselves.

Unemployment and poverty in a Palestinian state is Israel's greatest danger and I can only hope that any international funding will be used wisely – not to build huge industrial estates without the proper infrastructures to support production and distribution.

My fear is that the goods produced will not reach the standards demanded by the western world and my hope is that Israel will be permitted to provide its expertise to promote Palestine's industrial future.

A successful Palestine will be Israel's greatest safeguard.

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FINANCIAL TIMES

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Friday September 17 1993

The reform of healthcare

WHEN 40 of the world's largest pharmaceutical companies combine to advocate the reform of healthcare services, the first reaction of health policymakers will be to count the spoons. Many countries have curbed spending on prescription drugs as part of measures to halt the growth in health budgets. So it is not hard to detect self-interest in the pharmaceutical companies' new-found concern for health economics.

Yet the study published this week by Pharmaceutical Partners for Better Healthcare, the industry's new pressure group for health reform, offers sensible proposals to deal with a policy challenge that cannot be ducked. While some countries have succeeded in halting the growth in the share of GDP consumed by health, most face a sizeable gap between demand for healthcare and funding. The ageing of populations and new and more expensive types of treatment maintain an upwards pressure.

All too often, national healthcare reforms are undertaken in isolation. The Organisation for Economic Co-operation and Development has done much to collect data on health costs and spending, and to analyse trends. But as an intergovernmental organisation, it finds it hard to advocate solutions unpalatable to member countries. The pharmaceutical companies claim with justification that they have a "unique global perspective" in what has so far been an intensely local debate.

Cost-consciousness

That perspective has led them to construct a blueprint for healthcare reform that seeks to create more competition in the funding and provision of health services to increase efficiency. It also provides incentives to encourage cost-consciousness among insurers and consumers. And it suggests a mechanism for funding a basic package of health services for all without rationing by price or queue.

Parts of the model are utopian – not least the idea of an omniscient risk adjustment fund that would be able to help competing insurers provide the basic package of services to all comers whatever their state of health. It is also difficult to define that basic insurance package – attempts in Oregon, New Zealand and some parts of the UK have not been unqualified successes. And experienced health professionals may be unconvinced by the study's view that there is no need for regulation of the pharmaceutical industry in a competitive health system.

However, important elements of the model can be recognised in several countries' health reform programmes. A recent OECD study found that several European countries were converging in their health reforms in ways close to the proposed model. This suggests that the model is both workable and a target that countries could adopt in long-term structural reform strategies.

Shied away

Equally, the model provides a benchmark to evaluate reforms in progress in countries such as the UK, Germany and the Netherlands, and those to be launched next week in the US by President Bill Clinton. Many European countries have shied away from the model's idea of asking patients to contribute to their treatment. While the revenue raised can be modest, such payments encourage consumers to adopt more healthy forms of behaviour and discourage them from wasting health resources.

The UK health reforms have introduced greater competition between hospitals, family doctors and other health providers. But the only competition between the bodies that fund healthcare is on the margins, through the minority of family doctors who control their patients' health budgets. With the overall budget tight, a winter of hospital closures and lengthening queues for treatment is inevitable in the absence of alternative sources of funding.

As for President Clinton's package, it seems to achieve at least one important element in the industry's model with its promise of a universal healthcare scheme. However, it should also be judged by the extent to which it alters the incentives for doctors to overtreat, hospitals to over-invest and patients to demand ever more expensive services. So long as insurance is largely funded by employers, consumers will not have sufficient incentive to argue for efficiency and economy.

Curbing Europe's steel aid

THE EUROPEAN Community's private steel companies are getting nervous. They fear that the Commission may be preparing to support billions of Ecus in government aid to their state-owned rivals in exchange for only minimal steps to reduce the overcapacity which is bringing the industry to its knees. In the past week, the mostly private German steel industry has accused the Commission of going soft, while privatised British Steel has threatened to boycott EC-wide restructuring plans unless a tougher line is adopted.

The private steel groups' concern is understandable. Ideally, there would be a total ban on state subsidies. This is not merely because handouts are a waste of public funds. State aid also allows inefficient public companies to compete unfairly against private manufacturers. Private companies may well ask what is the point of a single market if state groups are allowed to engage in such blatantly unfair trading.

Unfortunately, a total ban on aid is impossible. The bulk of the aid – to Italy's Ilva, Spain's CSI and Germany's Ekostahl – has already been sunk and cannot be clawed back. Moreover, it is unrealistic to expect the Italian or Spanish governments to close down their entire steel industries. The best that can be hoped for is that state groups will make the bulk of the capacity cuts that are needed to bring the market into balance and that the industry will be run on subsidy-free lines in future.

Difficult hand

Equally, private companies cannot really afford to boycott restructuring plans. The industry is haemorrhaging to the tune of Ecu4bn a year. The longer capacity cuts are delayed, the worse the position and the greater the likelihood of more private-sector bankruptcies. The only way forward is to rely on the Commission. The Commission in turn has a difficult hand to play, since it needs unanimous approval from the council of ministers for its decisions. The main fear is that the Commission will take an excessively soft line in order to close the dossier.

The main practical question is how well the Commission is playing its difficult hand. Until Mr Karel Van Miert, the competition commissioner, puts forward firm proposals on the three big state aid cases, it will be impossible to give a definite answer. But at present, the signs are reasonably hopeful.

The main positive sign is that the Commission's hitherto strong line has forced all three states, in varying degrees, to embrace privatisation. Italy plans full privatisation, Spain has pledged that a new mill in the Basque region will be financed mainly by private capital, while the Treuhand, Germany's privatisation agency, has promised that private funds will be found for new investment in Ekostahl. The emphasis on private capital provides the best guarantee for a subsidy-free future.

Clearly inadequate

But there are still two concerns. First, will the state-owned steelmakers make sufficient capacity cuts to stop the need for future subsidies? Italy's proposal to focus its main cuts on a plant that has not been operating for two years is clearly inadequate, while Spain's plan to delay closures for two years is also suspect. It would be unacceptable if losses were allowed to continue for anything more than a short period after an overall restructuring plan was agreed.

Second, is the current emphasis on private capital genuine? Given the industry's overcapacity, it is unclear why rational private investors would want to build new capacity in Spain and Germany or even buy an existing debt-laden group such as Ilva. The natural fear is that governments will find backdoor ways to sweeten investment by private capitalists.

The council of ministers meets next week to debate these issues. Sensibly, the Commission has resisted the temptation to put forward formal proposals. Although this means that a deal will be delayed at least until November, that is better than rushing into an unsatisfactory one.

Nevertheless next week's meeting will be important. Pro-competition governments must insist that future handouts are stopped and not disguised under the cloak of privatisation. The Commission itself must be tough.

The whole Gatt edifice could be blown down if France vetoes the farm trade accord, says **David Gardner**

They'll huff and they'll puff . . .

At the moment last year when European Community agriculture ministers came to vote on the long-awaited overhaul of the Common Agricultural Policy, Mr Ray MacSharry, the former EC farm commissioner, gave the Portuguese chairman then in charge of the Council of Ministers precise instructions on how to face down a threatened Italian veto. "You go in; you ring the bell, and whatever you do, you don't look up."

Italy was not convinced enough of its case to make a fuss as the endorsement went through. But the current French threat to veto Blair House – the EC-US farm trade accord reached last November in Washington and made possible by the CAP reform – is another matter.

As Mr Jean Puech, the French agriculture minister, reminded France's EC partners on Wednesday, the farm trade imbroglio could lead to a full-blooded crisis in an already divided Community. The EC and its international trading partners need no reminding that Blair House is the foundation for hopes of building a successful world trade accord under the Uruguay Round of the General Agreement on Tariffs and Trade by the mid-December deadline. If Blair House crumbles, it would almost certainly bring the whole edifice of the Round down with it.

On Monday, therefore, foreign and agriculture ministers of the 12 meet in Brussels, in what will be a lengthy attempt to find out, first, what the French want, and second, to decide which demand can feasibly be pursued with the Americans. A majority of the member states, as well as the European Commission which negotiates trade deals on their behalf, rule out any reopening of Blair House. Washington already feels the EC got the better of the compromise, its negotiators have made clear.

But the centre-right government of Mr Edouard Balladur made an electoral pledge earlier this year to veto Blair House if it was not renegotiated. This commitment went rashly beyond the previous Socialist administration's refusal to sanction the farm deal, until it saw what was on the other side of the Gatt ledger – such as openings in services and enhanced market access for manufactures, areas in which France is respectively the second- and fourth-largest world exporter.

In essence, France opposes the accord's requirement to cut the volume of subsidised food exports by 21 per cent over six years, maintaining this will demand sacrifices of EC farmers beyond the severe price and production cuts agreed under CAP reform. The Blair House cuts, Paris insists, would destroy France's *vocation exportatrice* as the second-largest agricultural exporter after the US, and turn swathes of rural France into a wasteland.

René Steichen, EC agriculture commissioner; right, French farmers demonstrating against the EC-US farm accord

Isolated at first, Paris has pressured its partners into recognising it has a genuine political problem with its farmers, even if it is partly one of its own making. The French breakthrough came three weeks ago when Chancellor Helmut Kohl of Germany, presumably fearful of losing a Gatt deal, sundering the traditional Franco-German axis, and sparking an EC crisis, offered France political cover by announcing that Germany too "had problems" with Blair House.

But since then, the EC side (including France), has tended to talk of "refining", "clarifying", "amplifying" and "interpreting" Blair House, rather than reopening it. The US for the most part has been eloquently silent. Amid the flurry of meetings, in Washington and across Europe, hopes are thus rising that it will be possible to accommodate France. "I don't think there's that much room for manoeuvre, but there is some," Mr René Steichen, EC agriculture commissioner, said yesterday, warning, however, that "there will be a cost to pay for concessions in agriculture".

Part of the problem is disentangling from the amorphous list of France's demands what are its strategic priorities and what is political window-dressing. "In our experience, you have to distinguish between the battle cries and the strategic aims," says a senior German official. "They are not unrealistic people," he adds, "they know what is at stake."

France's strategic interest in agriculture is to get its and EC farm prices down to world market prices, impossible in the past because they were pegged to low levels of German productivity. This aim should be achieved by 1997, by when the CAP reform price and production cuts Paris initially opposed will have taken hold. Its underlying priority is to ensure this scenario is fulfilled with no additional pain for its farmers. For if it is, France will be one of the most competitive producers in the world, and free to export as much as it can without Blair House curbs. That is because at world price levels, export subsidies are redundant.

France's strategic interest is to get its and EC farm prices down to world market prices

France's shopping list reflects this aim. It includes:

- Freedom to shift the bulk of the 21 per cent volume cuts to the end of the six-year period, by when, if all goes well, they will not be required. "I would say that is a contender," Mr Steichen says. The Uruguay Round "final act" spreads the cuts evenly over the six years, but that is a document still on the Gatt negotiating table; Blair House is vague on the matter.
- No export volume limits on food aid, current EC food stockpiles or value-added food products. Blair House places no restrictions on food aid, as Paris must well know. On stocks, a deal may be possible. But in any case, assuming a Gatt deal would not start until 1995, the production restraints in the CAP reform would by then have reduced the exportable food surplus well under the Blair House limits on subsidised exports. Grain stocks, now building up at half the rate of this time last year because of CAP reform, would be needed to fill the gap. Commission officials deem the added-value food products demand "impossible", but point out that Blair House only covers "primary processed products" like flour and cheese.
- "Aggregation", meaning cuts applied to whole sectors rather than individual products, allowing France, say, to sell more cheese if it cut more than required on skimmed milk powder. "Not realistic," says Mr Steichen, given US rejection last year at Blair House.
- Guarantees that the export curbs will not deny the EC a share of any growth in the world food market, for example in China. This could be fudged since a growing market would raise world prices above EC target prices, freeing Europeans to export without subsidy.
- Safeguards that export curbs would be relaxed in the event of large and sudden movements in prices and currency parities. The problem here is that the safeguards could cut both ways, working against the EC if these movements were in its favour. But Blair House already contains provision for higher EC tariffs on incoming food if the dollar weakens 10 per cent beyond a parity with the Ecu fixed by the accord. France's quest for greater protection against cheap US cereals substitutes like corn gluten, however, looks hopeless, since the provision for EC-US "consultation" in the event of sudden surges was drafted by Chancellor Kohl's office, and France needs firm German support to get its deal.
- Extending the "peace clause", under which the EC and US would refrain from unilateral action against each other, beyond the six-year timetable. "That is a legitimate demand," says Mr Steichen, widely shared by France's partners.

On closer examination, therefore, a deal for France on agriculture may be attainable, especially as French demands become more polished by intensive diplomatic contact. "I think the French now have a feel for how far they can go," Mr Steichen says.

Complications, however, could arise outside the Gatt farm chapter proper, most obviously if Paris insists the EC should have the means to trade sanctions similar to those under US "301" trade laws. Bonn strongly opposes such a move.

Less tangibly, much will also depend on how the process is managed, particularly, on the European side, by Sir Leon Brittan, the EC's chief negotiator, and by Mr Peter Sutherland, Gatt director-general. "A disaster as a result of an accident is more likely than a disaster because of immovable positions," judges one German diplomat, who adds that the key, on Monday, "is not to give the French too much time".

EMS: time for some strong medicine

PERSONAL VIEW

Reluctantly, Europe has entered the brave new world of the permissive European Monetary System. If the pundits are to be believed, two principles should now guide its monetary policies. Interest rates should be cut quickly and radically to counter the recession. And under no circumstances should governments tamper with the markets by imposing deposit requirements on foreign exchange transactions. These two quite different points have one thing in common: both of them are wrong.

The concern with high unemployment that prompts calls for interest rate cuts is entirely appropriate. But central banks control discount rates, not market rates. Market rates are determined by investors. Investors will accept a lower interest rate on French than German bonds only if they expect the franc to appreciate. To reduce market rates, a government must make investors believe that its currency is going to strengthen. They must push it way down now so it can recover later, allowing lower interest rates to boost growth.

Suppose that radical discount rate cuts push the franc to the bottom of its 15 per cent band, half of which has been used already. Why should investors believe that it will recover? If they expect the opposite, French interest rates will rise rather than fall. The desire for lower market rates will be frustrated. Rightly or wrongly, this is very much on the market's mind. Indeed, long-term real interest rates – on which investment most depends – have actually been higher in the UK and Italy, the two countries that depreciated their currencies last year, than elsewhere in Europe. To convince the markets that any depreciation is temporary, policymakers must first commit themselves to restoring an EMS with teeth. Only then will the markets know that depreciation today does not augur depreciation tomorrow. Only then will looser monetary policy be certain to succeed in cutting market interest rates and stimulating recovery.

If the single market is to be defended, there must be a move back to narrow bands. However justified the debate over monetary union, there is broad agreement over the benefits of completing the internal market. Exchange rate fluctuations of as much as 30 per cent menace this achievement by imposing on workers and companies in the affected sectors greater and greater pain. The single market will be put at risk. The complaints of competitive depreciation following sterling and the lira's departure from the EMS last year underscore the threat. If Europe fails to restore exchange rate stability, it will fail to complete the single market. This is too high a price to pay.

If Europe fails to restore exchange rate stability, it will fail to complete the single market

But to restore 2.5 per cent bands, or even 5 per cent bands as proposed by the monetary committee in July, would be "déjà vu all over again". If the last year has taught us one thing, it is that the EMS was flawed. Open capital markets are incompatible with pegged exchange rates, pure and simple.

This is why deposit requirements for institutions with open foreign exchange positions, like those used in Italy in 1987-88 and in Spain in 1992, are needed temporarily until the goal of monetary union is reached. The cost of non-interest-bearing deposits with central banks would be passed on to those borrowing a currency in order to sell it short. This is not a capital control; investors could still engage in any transaction they wished. But it would attach a cost to one-way bets against exchange rates and provide central banks the speculation they need to defend currency pegs.

Foreign exchange traders for too many years were denigrated as a lower form of life. But neither are they a higher form of life. No practitioner would deny that financial markets are driven by hard instinct as much as careful analysis; this is why they are regulated with margin requirements and circuit breakers. Since when do currency markets have a god-given right to be free of the sort of regulation to which other financial markets are subject?

What robs attacks on this proposal of their force is their failure to offer workable alternatives. The FT has recommended a faster move to monetary union or international monetary reform on a global scale ("Speculators as the scapegoats", August 17). Yet Germany has made abundantly clear its unwillingness to accelerate the Maastricht timetable. Hoping to solve the problem this way is whistling in the dark. The same holds for proposals to reform the international monetary system over a wider area.

It is time for serious medicine, not wishful thinking.

Barry Eichengreen and Charles Wyplosz

The authors are professors of economics at the University of California, Berkeley, and Insead, respectively

OBSERVER

Austerity driver

■ Not content with ordering a public sector pay-freeze at home, Kenneth Clarke is preparing to take the gospel of austerity across the Atlantic.

During his first attendance at the annual meetings of the International Monetary Fund and World Bank at the end of this month, Britain's chancellor will press for new action to increase efficiency and cut operating costs at the two organisations.

Staff salaries and allowances will be high in Clarke's line of fire. Britain is still smarting at having failed to block a 6 per cent increase in wage bills for pampered officials at the two Washington organisations earlier this year.

The British Treasury feels that it has already made some progress because World Bank president Lewis Preston has promised that next year's bank budget will be based on the assumption of zero real growth in operating costs.

But there are compelling arguments for putting still more pressure on the bank and IMF.

Better cost control at the IMF and World Bank would assist the freeing of resources, in turn helping poorer developing nations at a time when national aid budgets are being squeezed.

And because Norman Lamont also took a tough line with the Washington bureaucrats, Clarke would, for once, be doing something to meet the approval of his waspish predecessor.

Private pasta

■ Pietro Barilla, Italy's pasta and confectionery king, who died yesterday at the age of 80, was better known to sweet-toothed continental Europeans and South Americans than to Anglo-Saxons.

Business-hungry City of London bankers had long given up trying to gain access to Barilla's top-security Parma headquarters, more akin to a defence plant than a biscuit factory.

Even the toughest food industry multinationals despaired of ever taking over the family-owned business, which now sells more than L3,300bn worth of biscuits, foods and cakes a year.

Barilla, set up in 1877 by Pietro's grandparents, is a prime example of the sort of private company which would add lustre to the pint-sized Milan bourse, were it quoted.

But having once sold a majority stake to a multinational – America's W R Grace in 1968 – only to buy it back 11 years later, Barilla was determined never to lose control again.

Whether matters change now that a new generation is taking over is an open question. Two of Barilla's sons are already in the business, while the third, a former Formula 1 racing driver, has also recently joined.

'I hope I don't get used as kindling in a barricade'

Indy chief

■ Patrick Morrissey, the newly appointed chief executive of Newspaper Publishing group, currently engaged in a bitter cover-price battle with Rupert Murdoch's News International, was feeling rather circumspect yesterday.

Andreas Whittam Smith's decision earlier this year to step aside as chief executive and devote more time to the task of editing The Independent, the daily newspaper he and two former Daily Telegraph colleagues launched in 1986, surprised some media-watchers. For one thing, there were no immediately obvious candidates to follow in his footsteps. The headhunters got to work.

One firm, Tyzack and partners, had already approached some younger candidates before Morrissey, who is 52, was finally selected.

Tyzack conversed with one budding newspaper tycoon, who was rather piqued to be informed that the salary was in the region of £85,000 – a sum he considered rather paltry for the job.

Morrissey yesterday told Observer he did not wish to discuss the terms agreed between himself and Newspaper Publishing. Nor would he be drawn on how he plans to combat Murdoch's soaraway price-slashing Times, now only 30p against The Independent's 45p.

"I think it's a very interesting new tactic in the market," he said – quite an independent view, given Whittam Smith's recent tirades against Murdoch's marketing.

Jumping ship

■ Greece's election campaign is only four days old but the government's senior economic advisers are already deserting.

Their departure is taken by some as confirmation that prime minister Constantine Mitsotakis's conservative New Democracy party faces defeat on October 10.

Miranda Xafa, economic adviser to Mitsotakis, is returning to the IMF. She says two years of battling against politicians and central bank officials have sharpened her enthusiasm for dealing with "difficult economies".

Nassos Zambaras, mainstay of the government's privatisation office, has signed on with N M Rothschild, the government's main adviser on privatisation.

Peter Doukas, the fast-talking finance undersecretary, is returning to Citibank. George Alogoskoufis, a former London University economics professor, plans to combine a job at Athens University with some private consulting.

All four are now headed for jobs paying considerably more than a Greek civil servant's salary.

Card carrying

■ Is your business card collection a monstrous heap spilling on to the floor? Don't worry, it's just the recession.

Demand for business cards peaks during a slump, according to a study by Rolodex, the US card company.

The theory is that sales staff have to work harder (and give out more cards than usual) and redundant executives are busily "networking" (and giving out more cards).

Life must be very confusing for the sales rep selling business cards.

FINANCIAL TIMES
Friday September 17 1993

Bundesbank attacks 'innovative' practices

Gaddum urges return to basic banking methods

By Christopher Parkes in Frankfurt

THE "INNOVATIVE" practice of financing capital investment with short-term borrowings came under heavy fire yesterday from Mr Johann Wilhelm Gaddum, vice-president elect of the Bundesbank.

Urging a general return to more traditional methods, still predominant in Germany, he said it was no accident that the Bundesbank's interest rates policy found more support at home than in countries where investment was suppressed by over-dependence on short-term rates.

"No one should conclude that it is the central bank's job to correct this inappropriate financing structure. The result should be reconsideration of the rules for industrial and construction financing," he told a bankers' meeting in Bremen.

Mr Gaddum, who takes office at the end of this month, appeared to be drawing a new line of defence against criticism of the Bundesbank's snail's-pace reduction of its short-term discount rate.

While there has been some domestic pressure from business for faster easing of monetary policy in the past 18 months, it has been relatively muted. Some 80 per cent of all corporate lending in Germany is made at long-term rates.

Financial markets in all western countries had been flooded with so-called innovative ways of packaging and guaranteeing financing in recent years, Mr Gaddum said. These had led people to ignore the traditional basic rules. "For me these include the rule that long-term investments must also be financed over the long-term."

"Countries which have been more open to these innovations than Germany have had to learn costly lessons. The money market, that is the market for short-term money, is and remains the central banks' field of operations," he said.

Banks which had freedom to manoeuvre with their short-term rate policy could easily counter speculation which had no real economic grounds, he said.

But if such room for action was limited recent events – speculative pressure on European currencies which led to the effective suspension of the European exchange rate mechanism – could easily be repeated.

Mr Gaddum said monetary policy could not be blamed for the industrialised world's problems. Unemployment and public sector debt, which rose from one economic cycle to the next, reflected structural economic and social weaknesses.

"One cannot avoid the impression that the all too frequent attempts to blame monetary policy for blocking recovery are attempts to divert attention from inappropriate decisions on pay, social policy and state spending," he said.

The Bundesbank, which has pressed vigorously for a rethink on these issues within Germany, returned to the theme in its September monthly report, published today.

Noting a considerable deterioration in public budgets, the report said the total year-end deficit could be worse than expected. Including off-budget borrowings by the post office, railways and the Treuhand privatisation agency, it could reach DM230bn ($141.9bn), equivalent to 7.5 per cent of gross domestic product.

Balladur calls on industry to minimise job cuts

By John Ridding in Paris

MR EDOUARD BALLADUR, the French prime minister, yesterday urged industry to minimise job cuts and to avoid using redundancies as the "easy solution" to difficult economic conditions.

His appeal came the day after the announcement or confirmations of about 13,000 job cuts by French companies, described by the French press as "Black Wednesday".

The series of redundancies, principally affecting public sector groups, represents a blow to the government's attempts to curb unemployment growth. The rate of unemployment, now at about 11.7 per cent, is expected to reach 12.5 per cent by the end of the year, according to Insee, the national statistics office.

Mr Balladur expressed concern at growing redundancies in French industry and said that "a modern and human economy cannot have as its sole objective the obstinate search for financial efficiency". He said industry must also take account of "the social dimension" of employment decisions.

An official at the prime minister's office said Mr Balladur's comments were directed mainly at public sector companies. But the prime minister also said private companies should only cut jobs "as a last resort".

The single biggest announcement of job losses this week came from Air France, the loss-making state-owned airline. The company said its financial situation had led to the decision to cut 4,000 jobs, almost 10 per cent of its workforce, by the end of 1994.

Snecma, the state-owned maker of aircraft engines, announced it would cut the equivalent of 775 full time jobs in 1994. Bull, the computer group, confirmed an earlier decision to shed 6,000 jobs, including 2,850 in France, by the end of next year, while Thomson-CSF, the defence electronics group, confirmed plans for 1,700 job losses in the same period.

The wave of redundancies is not confined to the public sector, nor is it likely to end with this week's announcements. Peugeot-Citroën, the private sector car manufacturer, is expected by industry observers to announce more than 4,000 job cuts next week in response to the depressed European car market.

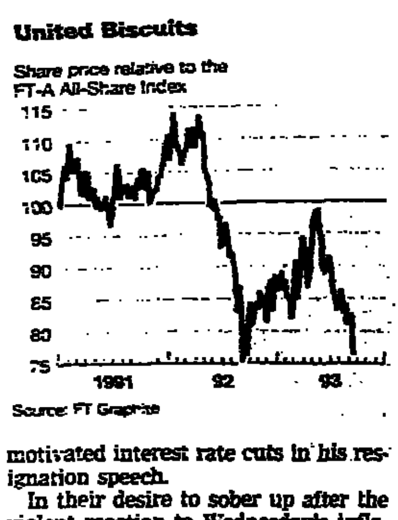
THE LEX COLUMN

Broken biscuits

Those who felt that McVitie's provided a rock solid core at the heart of UB's international ambitions must have felt a chill when the margins on its UK biscuit business slipped in the first half. The proximate reason for the fall was an increase in raw materials prices following the devaluation of the green pound, which was not passed on. Since UB argues that it has not raised prices in order to defend its market share, and any efficiency gains will probably be lost to competitive pressures, that margin erosion must be viewed as permanent. Indeed, as the supermarket chains can be assumed to be hanging tough on prices of own label biscuits, the capacity to increase the price of branded products is very limited. The undermining of brands by own label biscuits also bears an uncomfortable resemblance to the war-torn bread market.

Cash flow from the high-margin UK business has been used to fund UB's international ambitions. North America, Europe and Asia Pacific are apparently the local markets in which UB wants to start, yet even when cash flow was higher, it looked too small an engine to drive a global business. The position in the highly competitive North American market looks the most vulnerable since UB's Keebler holds a weak second position. Sale of the business to a company like Pepsi with a strong distribution chain would release cash to pursue the underdeveloped European snacks market. Whether UB's distribution in Europe can be made sufficiently strong to support the business is an open question.

FT-SE Index: 3003.9 (+14.5)



UK economy

The foreign exchange market seemed determined to look on the bad side of yesterday's UK unemployment data. If August's 5,500 rise in the jobless total really is a signal that the recovery is weakening, the chances of a rate cut have presumably increased. That supposition, together with Mr Norman Lamont's new onslaught on the prime minister, was enough to send sterling lower. Whether there is much logic in this view is another matter.

Unemployment has risen slightly in each of the last two months but it is still 70,000 below January's seasonally-adjusted peak. Mr Major may have taken another knock from his former chancellor but he has little to gain by reaching for the interest rate lever in reply. Mr Lamont himself blocked this route by warning against politically-motivated interest rate cuts in his resignation speech.

In their desire to sober up after the violent reaction to Wednesday's inflation data, the markets may have overlooked the other message in the unemployment figures. Average manufacturing earnings are still growing at 5 per cent, while the improvement in both unit labour costs and productivity has slowed. The latter may be a statistical consequence of this week's revision of manufacturing output, but lower production only makes the earnings data all the more disappointing. At any rate manufacturing earnings are hardly compatible with the inflation miracle which the gilts market has been promising itself. Markets generally may be in for a rough ride as this realisation sinks in.

RMC

Price rises in UK building materials are finally sticking. True, the modest increases achieved by RMC stem from attrition among producers rather than higher volume. With cement prices rising as well, not all of the increases in concrete and aggregates flow through into profits. Still, the company is taking the opportunity to rebuild margins. Having seen UK operating profits hit a trough in the previous six months – at £1.4m on turnover of £400m – that is not before time.

While construction activity remains depressed, further margin gains will be hard-won. Since RMC is shy about the breakdown of profits in its UK business – which includes the Great Mills DIY chain – the benefits of a housing market revival are also difficult to predict. With more than half of turnover and profits coming from Germany, though, the bigger risks and rewards might lie elsewhere.

The hope is that profits from RMC's £500m investment in eastern Germany will rise faster than western Germany declines. So far the picture is encouraging. Cheap Polish imports have not affected prices much. Despite falling back in the first half, construction activity in the west is holding up. Meanwhile RMC benefits from tax breaks for investing in the east which are not fully reflected in its reported 26 per cent tax charge. Even at this stage of the cycle and with its Berlin investment in progress, RMC has room to buy growth. The aggregates business earmarked for demerger by English China Clays springs immediately to mind.

Dixons

For Dixons it is a case of YES as in no. The company has finally got rid of its recently renamed US subsidiary Your Electronic Superstore. YES is better known as Silo, in which guise it has cast a long shadow over Dixons' shareholders.

In selling YES/Silo to the Fretter group – whose subsidiaries include the quirkily-named Fred Schmid Appliance & TV Co and Dash Concepts – Dixons is at least capping the losses which have made its detour into the US such a disaster. Since YES is being sold as a going concern, Dixons avoids the large hole that would have been punched in its net worth by the costs of closure. While Dixons loses some assets, the 30 per cent of Fretter's shares which it acquires in return limits the write off to £19.8m.

Fretter's retiring family shareholders get a cash payment equal to the current market value of its shares. Yet since that is less than the net asset value of the company before merger, a combination of the assets put into the enlarged Fretter group give the management a decent chance to make a go of the business. If it works, Dixons' equity stake will give it a chance to make money, but potential further losses are limited to the $50m holding value of the investment.

Much Dixons management time has been wasted in the US trying to find a solution to the problems of Silo. That effort can now be usefully redirected towards the UK. Ironically, Dixons only bought Silo when it failed to get Kingfisher. When Kingfisher failed to get Dixons, it bought Darty in France. But that, of course, is a different story.

Brussels tries to defuse row over controls on speculators

By Lionel Barber in Brussels

THE European Commission yesterday mounted a damage limitation exercise after the call by Mr Jacques Delors for new rules to combat speculative attacks on European currencies.

Amid fears that Mr Delors was advocating the reimposition of capital controls, Brussels officials insisted that the Commission president's comments to the European parliament had been misinterpreted.

Mr Bruno Dethomas, chief spokesman, said: "He was not calling for the reintroduction of capital controls, he was merely calling for a debate."

In his speech to members of the parliament in Strasbourg on Wednesday, Mr Delors likened currency movements to traffic. "Cars are free to drive but they are subject to traffic rules. I see no reason why at international level we should not study means of limiting monetary traffic."

The European Commission usually avoids public comments on monetary matters for fear of upsetting the currency markets. But Mr Delors' call for measures to tighten controls on currency speculators has been echoed in recent weeks by the French and Belgian governments whose currencies have suffered from the upheaval in the European Monetary System.

An EC official said Mr Delors wanted to strengthen the European Monetary System, possibly by "changing the rules of the game" in foreign exchange trading. One idea would be to restrict the ability of financial institutions to take highly leveraged positions in the options and futures markets, possibly by requiring a deposit to be lodged during the transaction.

"There is a feeling that the forex markets are operating under less strict rules than, say, the commodity markets," said one Brussels official. The matter is now to be examined in an internal Commission study.

Another option raised by Mr Delors is to make use of the "safeguard" clause under Article 3 of the EC capital movement directive.

This allows a member state to impose protective measures for up to 180 days to deal with adverse currency movements affecting their exchange rate and monetary policies.

However, these emergency measures, which are subject to approval of the European Commission and the opinions of the EC monetary committee and central bank governors, have never been formally invoked.

The temporary controls introduced last year by Ireland and Spain were invoked under special transitional arrangements under the capital movement directive, an EC official said.

Dismay at Japan's $58bn spending package

Continued from Page 1

Mr John Major, UK prime minister, begins a visit to Tokyo at the weekend.

Among yesterday's proposals are reductions or removal of state controls on 94 areas of economic activity.

Among the most important are a review of Japan's anti-monopoly law to discourage cartels; simpler standards and certification procedures for imports; recognition of international standards on building materials; and more flexible rules on the types of bonds companies may issue in Japan.

Plans to pass on the benefits of the stronger yen to consumers include temporary cuts in electricity bills worth an average of Y800 a family a month. Cheaper domestic air fares for families and a 2 per cent cut in international phone bills are also put forward.

The yen's increase has started to feed through to a fall in import prices, according to a government report yesterday. It said prices of 24 out of 35 imported goods surveyed, including whisky, cars, and beef, declined over the first six months of the year.

The package allocates slightly more cash than government officials had earlier indicated.

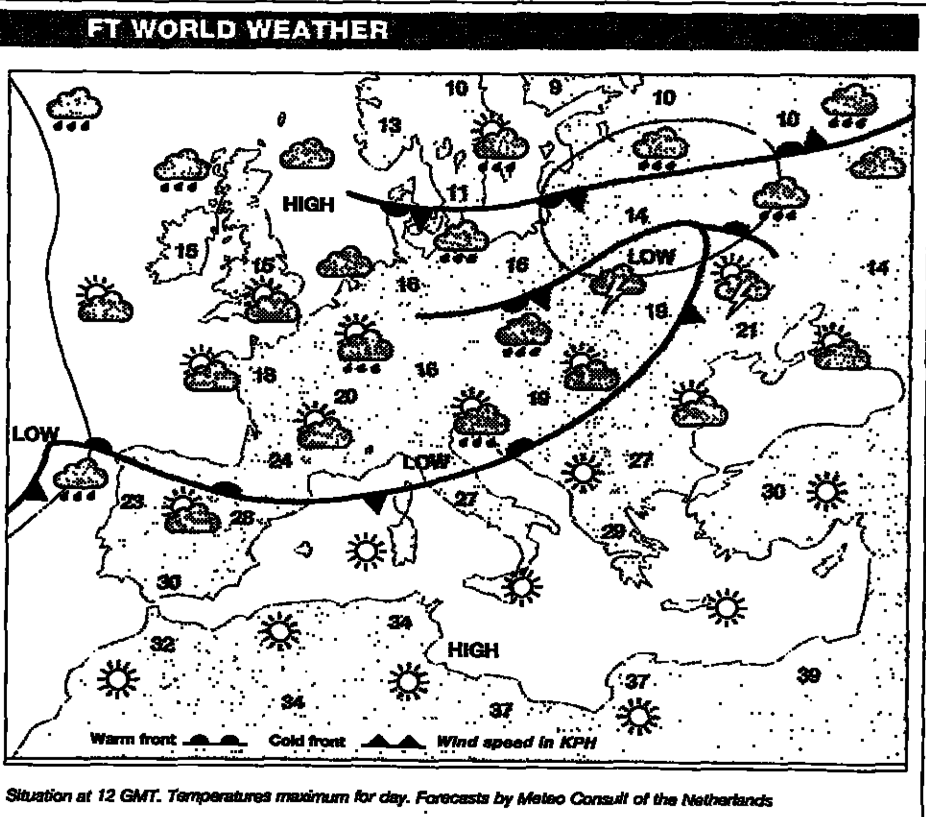
FT WORLD WEATHER

Europe today

Weakening low pressure over north-eastEurope will bring cool and showery conditions from Germany to Lithuania. Overcast skies and patchy rain will prevail from southern Sweden to the Baltic States. Further west, the Benelux and northern France will remain cool but a ridge of high pressure will produce sunny spells and long dry periods. However, there will be a few showers. Northern Scandinavia will be dry with sunny spells and mainly high clouds. The Alpine countries, Hungary and southern CIS-states will have some clouds and only isolated showers. Most Mediterranean countries will remain sunny. The highest temperatures will be in Greece and the former Yugoslavia where afternoon readings will be near 35C. Spain will have some high clouds drifting in from the north-west and some afternoon rain.

Five-day forecast

Improving conditions with higher temperatures and more sunny spells will occur over the Benelux, Germany and the British Isles. After the weekend, high pressure will move east while an active low pressure system off the Atlantic will slowly lower temperatures and bring wind and rain to the British Isles and northwest Europe.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	41
Accra	cloudy	30
Algiers	sun	34
Amsterdam	cloudy	15
Athens	sun	30
B. Aires	sun	24
B.ham	cloudy	15
Bangkok	cloudy	32
Barcelona	sun	25
Beijing	shower	28
Belfast	fair	15
Belgrade	sun	25
Berlin	cloudy	15
Bermuda	fair	29
Bogota	cloudy	18
Bombay	shower	30
Brussels	cloudy	15
Budapest	shower	20
C.hagen	cloudy	11
Cairo	sun	39
Cape Town	sun	25
Caracas	fair	26
Cardiff	fair	15
Chicago	fair	20
Cologne	cloudy	15
D' Salaam	fair	27
Dakar	sun	30
Dallas	sun	31
Delhi	shower	31
Dubai	sun	42
Dublin	cloudy	15
Dubrovnik	fair	26
Edinburgh	shower	14
Faro	fair	24
Frankfurt	shower	18
Geneva	cloudy	20
Gibraltar	fair	27
Glasgow	shower	14
Hamburg	shower	13
Helsinki	shower	10
Hong Kong	shower	31
Honolulu	fair	31
Istanbul	sun	27
Jersey	fair	14
Karachi	fair	33
Kuwait	sun	43
L. Angeles	fair	24
Las Palmas	fair	27
Lima	cloudy	18
Lisbon	cloudy	24
London	fair	16
Lux.bourg	cloudy	15
Lyon	fair	24
Madeira	sun	28
Madrid	sun	26
Majorca	sun	29
Malta	sun	31
Manchester	fair	15
Manila	cloudy	30
Melbourne	shower	14
Mexico City	shower	28
Miami	sun	31
Milan	fair	24
Montreal	fair	20
Moscow	rain	10
Munich	fair	18
Nairobi	fair	28
Naples	sun	28
Nassau	fair	31
New York	cloudy	21
Nice	sun	23
Nicosia	sun	33
Oslo	fair	13
Paris	fair	18
Perth	rain	17
Prague	cloudy	16
Rangoon	shower	31
Reykjavik	fair	11
Rio	fair	26
Riyadh	sun	41
Rome	sun	27
S. Frsco	fair	20
Seoul	rain	26
Singapore	cloudy	30
Stockholm	fair	9
Strasbourg	fair	20
Sydney	fair	17
Tangier	sun	26
Tel Aviv	sun	35
Tokyo	shower	26
Toronto	cloudy	19
Tunis	sun	34
Vancouver	fair	19
Venice	fair	23
Vienna	cloudy	19
Warsaw	shower	16
Washington	cloudy	23
Wellington	cloudy	12
Winnipeg	fair	12
Zurich	fair	18

JOBS: Teenager's remarkable abilities raise possibility that the exception is the same as the rule

Why established theory is now suspect

IF readers get a spare minute for reflection in the next few days, the Jobs column would appreciate your thoughts on a perplexing question.

After all, there have been several times these past two decades when you have solved a problem that baffled the experts in the field. An example was your coup in decoding the medieval spelling of a town's name, which had defeated the French historian Professor Bartolomé Bennassar.

Today's challenge surely ought to be easier because it calls for no comparably specialised knowledge. Indeed, although the problem is central to the cultural as well as monetary wealth of nations, its nub lies in something you all achieve daily in your work. The question is: how do people do skilled things?

True, despite its apparent simplicity, it is a question many august thinkers have examined without finding a cogent answer. But that may be because they are blinkered by their own theoretical presuppositions, and so looking for it in the wrong place – or so I'm beginning to suspect, at least.

What awakened the suspicion was a report in the white Times newspaper last Monday on an autistic 19-year-old. Since only a few of you are likely to have seen the report, I'd better outline the case by adding that his name is Stephen Wiltshire, and in his largely speechless lifetime he has rarely shown an interest in the world around him, and still less any ability for most of the things normally studied in schools. While specially trained teachers eventually taught him to read and write, he never did either unless his tutors sat prompting him by his side.

Then one day he surprised them by starting to portray them in wickedly observant cartoons. Nor did his talent for drawing stop there, for it turned out that after little more than a glance at complex architectural plans, he could go away and reproduce them line for line.

That alone failed to strike the egg-head professions as world-shaking because theory has long had a name for people with some singular capacity like his. The name is *idiot savants*, defined as "people of subnormal intelligence who nonetheless show remarkable talent in a restricted field such as memorising or rapid calculation."

But the youngster has now chipped a crack in the egg-heads by doing something which they evidently cannot account for. He has revealed another impressive talent. After just listening to a piece of music, he can identify the sequence of chords of which it is composed – and since that ability is in an entirely different field from his talent for drawing, the experts do not know how to explain it.

What I would like to know, on the other hand, is whether readers whose skills are more practical than theoretical likewise find the phenomenon inexplicable. If so, I beg to differ. Although it clashes with present theory, it strikes me as readily comprehensible. The prime reason is that, in themselves, the young man's talents are less than extraordinary let alone unique.

Now, that is not to belittle him. As he has two of them to count on, his high-level skills certainly outnumber mine. OK, I perhaps don't yet quite fall under Lyndon Johnson's lampooning description of Gerald Ford as being unable "to fart and chew gum at the same time". But there is only one thing I can claim to do at a level anywhere near remarkable – or I hope so at any rate – and that's communicating in written English.

Even so, while most of us can't do the things Stephen Wiltshire does, an appreciable minority of people can. Besides, the abilities he exercises in doing them are no more extraordinary than those required by numerous practical activities, managing a workforce being a case in point.

Hence the stumbling block preventing the experts from explaining his achievements would seem to lie in the theory, and especially in the first part of the definition of an *idiot savant* – the bit that assumes him to be "of subnormal intelligence". And the justification for including him in the said sad category is surely that he has not shown the sort of capacity which established theory deems to be indicative of at least normal intelligence, including an ability to learn the things which customarily make up the school curriculum.

Indeed, so strong is the grip of the theory that if he *had* shown the academic type of ability, it is unlikely that the experts would think anything even needed to be explained. They would simply look on the boy as much like themselves at his age: as a person of more than adequate general intelligence, with one or two particularly pronounced skills. Moreover, most other people who have succeeded in conventional education would probably take the same view without pause for thought.

But the powerful hold of the theory doesn't make it right. On the contrary, the apparent fact that it fails to explain young Stephen's skills is *prima facie* evidence that the theory is wrong.

Nor is it the only reason for supposing that, far from being an exceptional case, he may do what he does in essentially the same way as such things are done by folk who succeeded in education. For, if readers reflect on how you do your own work, I'd guess that most of you will be inclined to agree that your decisive abilities, even though dependent on use of the mind, are often of an intuitive kind rather than of the sort demanded by academic curricula.

If you don't, then I am keen to hear of it. But I hope that besides telling me I'm daft, you'll spell out your grounds for saying so in as much detail as you have time for. Should it turn out that my ideas on the matter are wrong, I'll of course admit as much as soon as practicable.

In the meantime, however, I'm sticking to my hypothesis that it is mistaken to believe that the capacity to succeed in scholarly exams is indispensable to highly intelligent action, including the making of active judgments as well as direct operations on the outside world such as motivating other people. And what I see as the main flaw in that belief is the assumption, which can be traced back at least 350 years to the philosopher René Descartes, that the way people do mentally skilled things is necessarily by first planning out intellectually how they are going to do them, then putting the plan in their skull into effect as if they were following a detailed blueprint.

No doubt there are some kinds of expert work which can be done by that two-step method. But as I reported 10 weeks ago, my talks over the years with hundreds of highly skilled people – including theoretical researchers – suggest that the large majority operate differently. With few exceptions, they rejected the idea that they first thought and then acted in distinguishable stages. Their most decisive thinking was somehow embedded in the doing, and could not be separated from it.

Accordingly, I feel it is high time the experts scrapped their theoretical presupposition that the talents of people like Stephen Wiltshire are freak deviations from the normal rule governing human expertise. It would be better to concentrate on highly skilled operators who *are* deemed normal, and identify how they actually do their work with a view to discovering whether or not the established theory is a counter-productive, not to mention enormously expensive, distortion of reality.

Michael Dixon

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8 Baker Street, London W1M 1DA. Fax: 071 487 3686. A member of Horwath International

Lipper Analytical to Expand in Europe. Seeks 3 Senior Directors.

Are you the best candidate for managing director, sales manager or technical director for *Lipper Analytical Services International?* As we commit more resources to the open end and closed end fund industries outside the US, we need established successful professionals with proven records of achievement to join the local operation of our internationally focused company. The three successful candidates will have led teams building and marketing commercial software and/or print applications for professional fund managers, or will have created and administered financial databases.

Solid records of achievement in an entrepreneurial environment are prerequisites for our search. We will offer competitive compensation packages which allow for career opportunities in the UK, USA, Continental Europe and the Far East.

If you would like to discuss any of these opportunities, and are available for interviews in London during September and October, please forward letter with supporting statements of your past successes, CV and remuneration history to *Mr. A. Michael Lipper, CFA, 74 Trinity Place, New York, NY 10006 USA, or fax to 212-393-9098.*

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

Marine & Engineering Consultancy

London

c.£65k plus the usual range of executive benefits including performance related bonus and equity participation.

Our client, a leading consultancy to the offshore, marine and insurance industries, with an overall reputation for quality and professionalism, now wishes to appoint a Managing Director with complete executive responsibility for the operation, and who will be directly accountable to the Chairman and Board of Directors.

The person appointed will be a Chartered Engineer with an international background who already holds a senior management appointment, probably at board level with an engineering consultancy associated with the oil and gas industry.

The senior management team has established the need to widen the client base, and at the same time wishes to maximise the company's very considerable technical skills by identifying opportunities for diversification. It is in the development of the business in a highly effective and profitable way where the new managing director will have a major role to play, and which will demand considerable commercial expertise.

This is a world-wide operation, and experience of living and working overseas will be a distinct advantage. The company already has a very profitable track record and the successful candidate will have demonstrated the ability to both improve the bottom-line and grow the business from its current turnover of £10m.

This is a unique opportunity to join and lead a highly successful company poised to take a major step forward in its development. Success in such development will be both satisfying and rewarding.

Please write will full CV, stating the names of any organisation to which your application should not be forwarded, to TG West, Managing Director, Confidential Reply Handling Service, Ref:710FT, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

ASSOCIATES IN ADVERTISING

NT ROYAL NATIONAL THEATRE

HEAD OF DEVELOPMENT

SALARY NEGOTIABLE

THE DEVELOPMENT DEPARTMENT IS RESPONSIBLE FOR CAPITAL FUNDRAISING AND FOR SEEKING SPONSORS FOR THE WHOLE RANGE OF THE NATIONAL'S ACTIVITIES, FROM PRODUCTIONS AND TOURS TO EDUCATION PROJECTS, FOYER MUSIC AND SIGNED PERFORMANCES. THE DEPARTMENT ALSO OPERATES SCHEMES FOR ANNUAL CORPORATE AND PRIVATE CONTRIBUTIONS.

YOU SHOULD HAVE CONSIDERABLE FUND RAISING EXPERIENCE INCLUDING A GOOD RECORD OF LAUNCHING PROJECTS AND ACHIEVING SET TARGETS. YOU WILL ALSO HAVE OUTSTANDING COMMUNICATION, NEGOTIATION AND INTERPERSONAL SKILLS AND THE ABILITY TO MOTIVATE A TEAM OF DEVELOPMENT COLLEAGUES AND EXTERNAL ADVISERS.

THIS APPOINTMENT IS FOR 3 YEARS IN THE FIRST INSTANCE.

FOR FURTHER DETAILS AND AN APPLICATION FORM PLEASE SEND A LARGE S.A.E. MARKED REFERENCE HD/02 TO: THE PERSONNEL DEPARTMENT, ROYAL NATIONAL THEATRE, SOUTH BANK, LONDON SE1 9PX. THE CLOSING DATE IS 29 SEPTEMBER 1993.

AIMING TO BE AN EQUAL OPPORTUNITIES EMPLOYER

The Top Opportunities Section

For Senior Management Appointments

For advertising information call:

Clare Peasnell on 071 873 4027

Philip Wrigley on 071 873 3351

Director of Development

SALARY CIRCA £39,500 to £42,000

We need a new Director of Development following the retiral of our present Director, Jack Burgess. The Development Department's role is to safeguard and develop Shetland's existing industries and to actively encourage the establishment of permanent new industry, including new oil related industry, in the islands.

The Director will manage the development and implementation of economic policies and the provision and monitoring of economic development information, advice and funding by the Council to improve the competitiveness of the Shetland economy. The resources to assist the Director will include a significant development fund and part of the responsibility is to ensure the healthy growth of that fund through investment and other initiatives.

Applicants should be educated to degree level in a business related discipline and have a proven track record in a varied business development environment. Good management skills and the ability to solve problems in a creative and flexible way are essential.

As this post carries an essential car user allowance, applicants should possess a full current driving licence and have a suitable vehicle for use in their employment.

For an informal discussion concerning the post please contact Malcolm Green, Chief Executive, on Lerwick (0595) 3535, ext. 200 or Jack Burgess, Director of Development, on extension 340.

The closing date for receipt of applications is 1st October 1993.

For further details of the post, our attractive recruitment package and an application form please phone FREE on 0800 83 83 89 or write to the Personnel Section, Shetland Islands Council, 17 South Road, Lerwick, Shetland ZE1 0RB.

SHETLAND ISLANDS COUNCIL

AN EQUAL OPPORTUNITIES EMPLOYER

BANKING FINANCE & GENERAL APPOINTMENTS

The World Bank

The World Bank is the leading international institute in the field of economic development for developing countries. As we expand our activities in the areas of Private Sector Development and Finance, uniquely challenging opportunities exist in a multi-cultural environment at our headquarters in Washington, DC, USA.

Candidates in either area must have an advanced degree/training in Finance, Economics or Business, and excellent communication (written and oral) skills. Proficiency in English is essential. Relevant experience in developing countries and fluency in French, Spanish or Russian is preferred.

Compensation package includes expatriate benefits and is internationally competitive. *Professional women are particularly encouraged to apply.* Interested candidates should send a resume to: The World Bank, Attn: (include appropriate Sector code), Recruitment Division, Room O-4137, 1818 H Street, N.W., Washington, DC 20433, U.S.A. within 30 days.

PRIVATE SECTOR DEVELOPMENT

Requires 5-10 years of private sector development experience in a management consulting firm, investment or commercial bank, privatization agency, public regulatory body or other related organizations, and to include one or more of the following areas:

- Restructuring, commercialization and privatization of state-owned industrial enterprises and utilities;
- Business development, support and/or financing for small and medium enterprises; export promotion and finance;
- Regulatory economics including incentive and competition policies;
- Private provision of infrastructure and public services;
- Regulatory institutions to promote private business.

Sector Code: PSD Search/FT9

FINANCIAL SECTOR DEVELOPMENT

Requires at least 10 years senior leadership experience in one or more of the following areas:

- Central/commercial banking or regulatory agency;
- Securities market policies and practices including regulatory and supervisory framework;
- Portfolio management practices and experience in sales and/or trading in the fixed income markets of the U.S., Europe and Japan;
- Micro-institutional work and ability to integrate work within macro-financial policy framework.

Specific opportunities exist for: Financial Economists; Investment Specialists; Commercial Banking Specialists; Securities Market Specialists; and Financial Sector Specialists (Supervision & Regulation, Housing, Rural and Municipal Finance).

Sector Code: FSD Search/FT9

Merrill Lynch International Bank Limited

Merrill Lynch

Credit Administrator

Circa £40,000 — London

Our client, MLIB, is responsible for providing private banking services to high net worth clients throughout the world. Reporting to the Senior Credit Officer, a further credit professional is to be added to the existing team to implement centralised global credit and risk management policies and procedures. The successful applicant will be competitively remunerated including a full benefits package.

THE APPOINTMENT

- Key role in the credit approval process through evaluation and approval of credits and supporting collateral.
- Direct involvement in daily administrative role of department, supporting business development for Bank's London and worldwide offices.
- Provision of support to Senior Credit Officer in reviewing credit, collateral, procedural, administrative and product issues.

THE REQUIREMENTS

- A graduate with a minimum of five years' background in credit and risk analysis, with a bank, insurance company or rating agency
- A sound understanding of financial markets and products, exposure to secured lending and experience of processing and reporting credit issues.
- Highly motivated team player with excellent interpersonal and communication skills and the ability to thrive in a high pressure environment

Please apply in writing with a full CV and salary details, quoting reference 1003/S, to Susannah Truswell.

K/F Associates, Pepys House, 12 Buckingham Street, London WC2N 6DF.

K/F ASSOCIATES

Selection & Search

CJA

RECRUITMENT CONSULTANTS GROUP

2 London Wall Buildings, London Wall, London EC2M 5PP

Tel: 071-588 3588 or 071-588 3576

Fax No. 071-256 8501

Challenging opportunity with prospects to head-up this section within 3-6 months.

CJRA

EUROBOND SALES

CITY

£20,000-£60,000 PLUS + BONUS + BANKING BENEFITS

CAPITAL MARKETS SUBSIDIARY OF A MAJOR JAPANESE BANK

We invite applications from candidates who must have had at least 1 year's experience of selling Eurobonds and other products to key European institutional clients. A second European language whilst desirable is certainly not essential. As part of a small team the selected candidates brief will be to sell Eurobond and other products both to the company's existing client base and to contacts which the successful applicant will be expected to introduce as new business to the company. Essential qualities are business flair, the positive sales ability to drive forward further this key activity and the ability to make an immediate impact. Whilst it is envisaged that the initial base salary will be in the range of £20,000-£60,000 a higher figure may be paid if needed to attract the best talent in the market. There will also be a bonus, non-contributory pension, PPP, mortgage subsidy, personal loans scheme. For this appointment we are particularly keen to hear from candidates in strict confidence by telephone on 071-638 4884 or alternatively written applications under reference ES25024/FT will be forwarded to our client. If there are any companies to whom you do not wish your application to be sent, these should be listed in a covering letter and the envelope marked for the attention of the Security Manager: CJRA.

Major Pension Fund

UK Equity Manager

Age 26/32 — Central London

We have been asked to help find an experienced investment professional to assume major responsibility for the management of the Fund's UK Equity Portfolio which is currently worth over £500 million.

This is an important appointment within a well known Pension Fund which is currently managed by a small and successful team dedicated to achieving good long term returns.

Ideally, we seek a graduate with proven experience of UK equities as an investment analyst or portfolio manager. Possession of the IIMR qualification would be an advantage.

Our Client offers considerable freedom of action and responsibility, and looks for a candidate who will contribute both expertise and enthusiasm to the Fund. This will include input into overall strategy, asset allocation and stock selection.

The person appointed will be expected to develop and maintain relationships with major brokers, research houses and other sources of information. Good communication skills at a high level will be needed when visiting individual companies.

A competitive salary is offered, plus car and other benefits.

Please reply in the first instance to Keith Fisher quoting Ref. 1126 at Overton Shirley & Barry, Prince Rupert House, 64 Queen Street, London EC4R 1AD. Tel: 071-248 0355. Fax: 071-489 1102.

OVERTON SHIRLEY & BARRY

INTERNATIONAL SEARCH AND SELECTION

هكذا من الأصل

THE ULTIMATE STOCKBROKING EXPERIENCE

Are you a highly motivated professional determined to succeed at the highest level? If so, Fidelity Brokerage would like to hear from you.

Fidelity Brokerage is one of Europe's most successful stockbrokers - a young and dynamic organisation that has accurately targeted investors with aggressively developed financial products and services.

In the relentless pursuit of excellence, the company has set a benchmark for performance. With a strong emphasis on first class customer service, the growth of its client base and trading volumes has been impressive.

In a fast moving environment, this success bears testimony to the efficiency of our operational and administrative systems.

In the UK, Fidelity Brokerage was at the forefront of the move away from traditional stockbroking houses towards faster, more cost-efficient dealing services for customers who make their own investment decisions. It's an approach that has seen the company build substantial retail and institutional business that continues to grow impressively in the UK and internationally.

Now, to build upon the company's strong presence in the highly competitive markets of the UK and Europe, Fidelity Brokerage is looking for entrepreneurial leaders of exceptional ability to spearhead the company's future performance.

The company will shortly be moving to its new European headquarters near Reigate in Surrey. Here, its 100 employees will enjoy the benefits of a modern well-appointed office complex, supported by the latest state-of-the-art technology.

HEAD OF RETAIL DEALING

c£35,000 – £40,000 pa
plus bonus and benefits. (Ref: HRD)

A highly-focused, customer-oriented dealing team operates at the centre of Fidelity Brokerage's execution-only retail services. The team meets the specialised needs of 18,000 active, independent investors. It trades aggressively in the UK, European, US and other international stockmarkets, also providing real-time trading information.

The newly established position of Head of Retail Dealing has been created as a direct result of the company's dramatic success with its retail services.

Reporting to the Director of Trading, the primary responsibility of the post will be to supervise the day-to-day activities of the team of approximately 20 highly-motivated, ambitious dealers. You will be responsible for all retail trading and will work closely with the Marketing and New Business Development functions. You will be required to develop the existing and future customer base, stimulate and encourage activity among existing customers and ensure marketing programmes are tailored to meet customer needs.

Inevitably, you will be someone of exceptional ability and will have gained substantial experience in the UK and international markets, having headed a customer-driven dealing team for at least 2 to 3 years, most probably with a UK retail stockbroker.

A high level of market awareness, imagination and well-developed management skills are required to lead and motivate a strong dealing team and to assist in the expansion of our retail customer base.

DEALERS/REGISTERED REPRESENTATIVES

c£16,000 - £18,000 pa
plus bonus and benefits (Ref:RR)

Due to our rapid expansion, an opportunity exists for a number of experienced, enthusiastic UK Registered Representatives to join the company's retail dealing team.

You will be responsible for receiving and executing client instructions on UK securities, as well as providing the wide-ranging UK market and product information offered by Fidelity Brokerage.

This position calls for excellent oral communication skills and a good knowledge and understanding of the UK stockmarket. Numeracy, plus good telephone and keyboard skills are also important, together with self confidence, enthusiasm and the ability to work under pressure during high call volume periods. Candidates must have well-developed customer relations skills acquired over the past 2 years in a dealing environment.

The successful applicants will be highly motivated, results-oriented achievers committed to maintaining the high levels of customer service which have become Fidelity's trademark. Candidates must be SFA registered.

OPERATIONS MANAGER

c£35,000 – £40,000 pa
plus bonus and benefits (Ref: OM)

The company's commitment to customer care and service is reflected in the quality of people it employs. Nowhere is this more evident than in the Securities Management Department which has grown substantially over the last 12 months.

As a consequence, an experienced Operations Manager is required who will be responsible for a growing team handling transfers, corporate actions, dividends and stock re-registration as well as controlling a substantial nominee company.

Reporting to the Operations Director, this is a key position within the Operations group.

With substantial in-depth experience in UK and international settlement, you will have acquired particular expertise in the field of stock and securities management and possess a well honed processing ability to deliver results with precision and accuracy.

Securities Management is central to the commercial success of Fidelity Brokerage and you will need to demonstrate strong leadership qualities, a proven track record in the business and the ability to deliver innovative operations solutions.

COMPLIANCE OFFICER

c£35,000 - £40,000 pa
plus bonus and benefits (Ref: CO)

If you are a qualified lawyer or accountant with experience of working in the financial services sector with either a City firm or a major financial institution, Fidelity Brokerage offers a challenging opportunity.

Our brief encompasses compliance, legal and financial matters across the broad spectrum of the company's activities. You will have overall responsibility for compliance with the rules of the Securities and Futures Authority and other relevant legislation; compliance monitoring and documentation; provision of expertise on compliance and legal aspects of new product development; liaison with our regulators; customer complaints procedures; compliance training for employees; and monitoring of employee trading.

You will also be expected to provide general legal advice, act as Company Secretary and liaise with external lawyers. A working knowledge of the rules of the SFA would be advantageous, although familiarity with the rules and regulations of one of the other SROs will also be considered. Within our European oriented business, this role will develop rapidly to encompass our expansion in both the retail and institutional markets.

You will report to both the Head of Compliance in Boston and to the Managing Director of FBSL.

MARKETING MANAGER

c£30,000 - £35,000 pa
plus bonus and benefits (Ref: MM)

Reporting to the Marketing Director your remit will cover all aspects of the company's core domestic execution-only service which targets independent minded stockmarket investors.

You will need to demonstrate excellent analytical; interpersonal and organisational skills, be able to interface effectively with staff throughout the organisation, and meet tight project deadlines.

As a marketing professional, you will be computer literate and have a thorough grasp of all elements of the marketing mix including advertising, direct mail, legal, creative, budgets, production, research and profitability analysis. Furthermore, your track record will show how this expertise has been translated into effective marketing results.

You will be a university graduate or equivalent with 3 to 5 years of related marketing experience, or hold a business marketing degree with 2 to 4 years' marketing experience (preferably in direct marketing, but not necessarily in financial services).

SENIOR BUSINESS ANALYST

c£30,000 - £40,000 pa
plus bonus and benefits (Ref: SBA)

Reporting to the Head of Brokerage Systems, the Senior Business Analyst will be responsible for identifying and specifying system requirements in all areas of Fidelity's fast-moving business.

You will assist with tactical business improvements and also contribute to the strategic direction of projects being developed locally and by Fidelity's Boston-based parent company. Furthermore, you will be expected to provide assistance with user training and acceptance testing.

You will need a broad base of securities processing knowledge in both dealing and settlement operations. The ability to identify opportunities and propose workable business system solutions is essential. In addition, experience of structured development techniques would be desirable. Above all, in this customer-led environment, you should have the desire to provide systems which promote first class customer service.

DEALING SYSTEMS - PROJECT LEADER

c£30,000 - £40,000 pa
plus bonus and benefits (Ref: DSPL)

Fidelity are currently developing advanced dealing systems utilising client server architecture and this has created an outstanding opportunity for a systems developer to lead this high profile project.

Reporting to the Head of Brokerage Systems, the Dealing Systems Project Leader will be responsible for the successful development, implementation and support of this critical front-end dealing system.

To successfully fulfil Fidelity's requirement, you will need experience of at least four of the following:

- Dealing systems knowledge
- 00 techniques
- C++
- Windows development
- Oracle
- Client server architecture
- UNIX

A thorough understanding of the technical issues of front-end systems is an essential requirement but this is also a role that places great emphasis on personal initiative and high professional standards.

If you have the expertise, experience and business maturity to succeed in this highly demanding environment; if you are a leader who can excel as an individual within the collective team effort, write to Fidelity Brokerage now, enclosing a detailed CV and quoting the appropriate reference number.

Mrs Sandra Evans, Fidelity Brokerage Services Limited, Oakhill House, Hildenborough Tonbridge, Kent TN11 9DZ

Fidelity Brokerage

REGIONAL COMMERCIAL BANKING MANAGEMENT OPPORTUNITIES WITH CREDIT LYONNAIS

Crédit Lyonnais is one of the world's largest banks with operations in 80 countries. Our presence in the UK dates from 1870 and our recent expansion programme has centred on the establishment of a network of commercial banking branches in the key industrial and commercial centres of the UK.

Our target market for these branches are successful, growing companies with annual turnovers in the range of £5 million - £250 million.

We have managerial vacancies at various levels within the network and invite applications. Ideally candidates will be graduates with at least 5 years' experience of working with mid-corporate clients. A proven track record that demonstrates a high level of drive and personal ambition combined with sound credit analysis, marketing and interpersonal skills is an essential requisite for these challenging and rewarding appointments. Applicants must be ACIB qualified.

A good knowledge of French will be an advantage but is not essential.

Remuneration and benefits will reflect the seniority of the appointments to be made.

Interested candidates should send a comprehensive career resumé, together with details of their remuneration package, to:
Mrs Sue Randall, Deputy Head, Personnel, Crédit Lyonnais, 84/94 Queen Victoria Street, London EC4P 4LX.

The closing date for applications is Thursday, 30 September 1993.

CREDIT LYONNAIS

RELEASE YOUR TRUE POTENTIAL

City graduates for one of the top UK Securities Houses

One of the top UK Securities Houses is looking for a number of young high flyers with the potential to reach the highest echelons of the business.

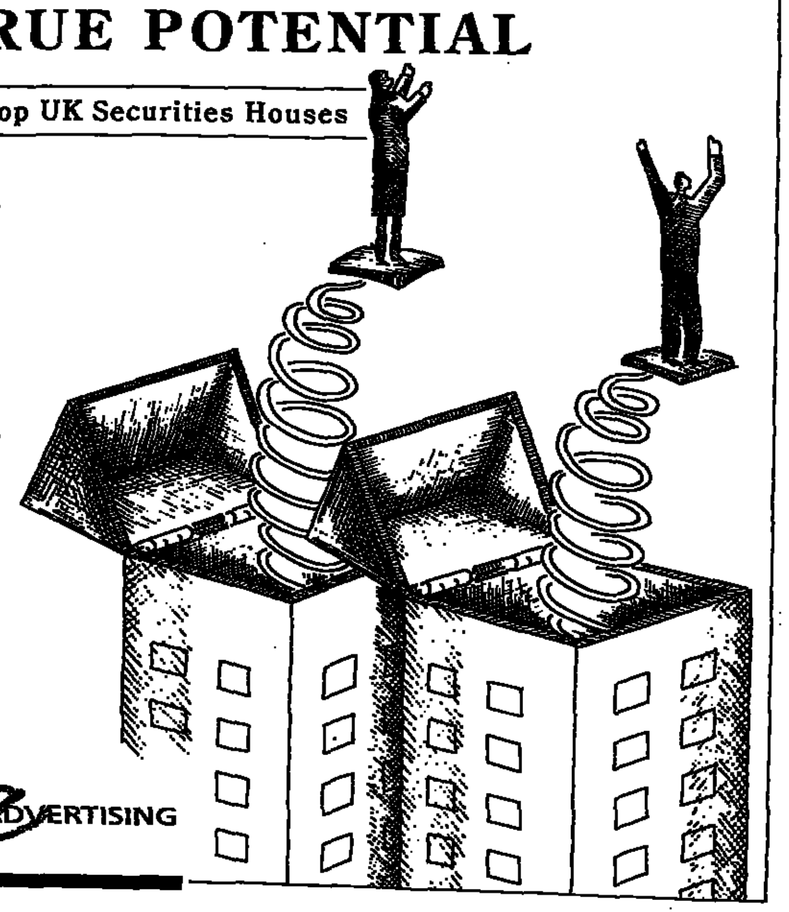
Successful candidates will be appointed to specific product areas before moving around other divisions to acquire the breadth of knowledge and experience for future senior posts.

Currently there are openings in UK and European Sales, Research and Market Making Operations. There are also significant opportunities in their rapidly expanding Global Derivatives business.

Their search will focus on business-degree graduates (2:1 minimum) who are now up to two years into their City career with a stockbroking or fund management company. A rigorous selection process will prioritise a high degree of numeracy and communication skills together with the strategic, interpersonal and teamworking abilities essential in future business leaders.

The packages on offer match the best in the industry, but it is the long-term career implications which will really count.

To release your true potential, please write, with your cv, stating any companies to which your application should not be sent, to: Terry West, Managing Director, Associates in Advertising, Confidential Reply Handling Service, Ref: 706, 5 St John's Lane, London EC1M 4BH.



ASSOCIATES IN ADVERTISING

Asset Finance Product Development Manager

Circa £30,000
MANCHESTER

Our client is a long established, successful and progressive financial institution, based in the North and with a nationwide network.

An innovative approach to product development has enabled the organisation to maintain its position in an increasingly competitive market. The company wishes to appoint a Product Development Manager who will report to the Head of Asset Finance and work within the Asset Finance Department to research and develop a strategy for asset backed products and to deliver sales to meet targets.

Candidates will have experience of identifying and promoting new asset based products and maintaining good client relationships.

The ideal candidate will be a self starter, who can demonstrate both creativity and tenacity with proven communication skills.

The position offers a competitive salary with an excellent benefits package.

To apply, please send a full CV with salary details to:

RYEDALE ASSOCIATES LTD
EXECUTIVE SEARCH & SELECTION
Hunter House, 57 Goodramgate, York YO1 2LS. Telephone: 0904 610657

Energy Markets Analyst

Develop & Manage New Strategies for Risk Management in International Operations

This leading exploration & production company has a wide range of interests, both domestic and international, and annual income from its oil and condensate sales is in excess of £200 million.

As Energy Markets Analyst, you will be responsible for developing and managing the company's hedging strategy and oil paper trading programme.

You will liaise closely with senior management, Treasury and Operations, to maximise profitability and minimise risk. This will entail ongoing analysis of market conditions, negotiation of commercial contracts with brokers, banks and trading firms and ensuring the company has an up to date awareness of the latest market positions and trends.

You will react speedily to market changes in the most effective and commercially advantageous manner and present innovative solutions to scenarios in an environment which provides a good level of autonomy and decision making authority.

Probably a graduate in a quantitative subject, you have at least five years' experience in analysing financial and energy trading markets including developing and carrying out hedging and trading transactions in the oil & gas sector.

Computer literate with exceptional analytical skills, you are a commercially aware self-starter with the confidence and interpersonal skills to work effectively with senior management and external parties.

Career prospects are excellent and a number of options are available. You will be based west of London and a competitive package will be offered, including a car, a comprehensive range of benefits and relocation assistance if necessary.

In complete confidence, please telephone or write with CV to:
John Diack, Managing Director, Simpson Crowden Consultants Limited, 97/99 Park Street, London W1Y 3HA. Telephone: 071-629 5909.

Simpson Crowden CONSULTANTS

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Financial Risk Management Specialists

It takes a firm grasp of the risks to appreciate the rewards.

Our consultancy is one of the world's largest and most prestigious. Our risk management group plays a pivotal role in some of the leading initiatives in this area of the financial services (including the recent Group of 30 study of derivatives in the industry).

The consultants who form the team are involved in a wide range of challenging and complex assignments, helping our clients to optimise their management of the risk-reward relationship. Our clients are leaders in their markets and the demand for our skills in this area continues to increase.

We are therefore looking for articulate, self-motivated specialists with first class track records. Aged 26-35, you are likely to have an accountancy, banking or MBA qualification and to have hands-on experience and a deep understanding of financial risk management techniques in retail banking, corporate banking or treasury and capital markets.

Additionally, you should possess some knowledge and expertise in one or more of the following:

- Credit scoring techniques and applications
- Market risk measures and valuation models
- Risk adjusted profitability measurement
- General statistical modelling techniques

Since you will be working at senior levels in client organisations and often in multidisciplinary teams, you will need excellent interpersonal skills, including the ability to communicate effectively and to build and develop working relationships.

The breadth and variety of our work is such that you can quickly extend your horizons. If you would like to accelerate your career through building your skills and experience in a supportive but challenging team environment, please write, quoting ref: MCS/8617, enclosing a detailed cv to Andrew Stott, the partner responsible for this practice area, at Price Waterhouse Management Consultants, Milton Gate, 1 Moor Lane, London EC2Y 9PB.

Price Waterhouse

ARBITRAGE ANALYSIS to £60,000

A large International Bank with a strong presence in derivatives markets wants to recruit an analyst to work within an existing arbitrage group. The group currently develops trading strategies and identifies arbitrage opportunities across a wide range of products and markets. The analysts work very closely with the traders and so have a closely measured effect on the groups profitability. You must have a post graduate qualification in a highly mathematically / statistical discipline - a Phd would be very attractive as would experience of time-series analysis, correlation analysis and stochastic calculus. As a personality you should be highly driven, precise and want accountability - bonuses are a major part of total remunerations. **Call Tony Sheppeard.**

CREDIT ANALYST (CORP FINANCE) to £30,000

A major International Bank wants to recruit an individual with a strong credit background for its corporate finance division. This position is likely to appeal to those analysts wishing to raise their profile within corporate credit as the analysts frequently accompany the marketeers on direct visits. You will need three years credit experience within an investment bank, a good degree and, most importantly, the ability to generate ideas and work on your own initiative. Ideal age 25-35. **Call Tessa Beck.**

AUSTEN SMYTHE SEARCH and SELECTION
127 Cheapside, London EC2V 6DH
Tel: 071 600 2862 Fax: 071 726 4290

CO-HEAD INTERNATIONAL INVESTMENT MANAGEMENT COMPANY BASED IN HUNGARY

Applications are invited for the position of Executive Director for a new Hungarian investment management company, which is a subsidiary of a successful independent corporate finance company based in Hungary. The Company will be set up to manage a capital Development Fund controlling stakes in small and medium sized Hungarian companies.

The shareholders in the fund will include international investors in the corporate finance company.

As Executive Director the successful applicant would be co-head of the Company with full responsibility for the following areas:

- Evaluation of Projects
- Representation towards the group's international institutional investors
- Management of investments.

The applicant will participate in the decision making procedures of the Company as well as the day-to-day management of the operation. The applicant will co-operate closely with both Hungarian and foreign professionals within the group and would be based in Budapest.

Applications together with CV's should be forwarded to:
c/o Mrs Ivy Patsalides
3 Clifford Street
London W1X 1RA

Regulator, Financial Services

Europe — **Generous Tax Free Package**

An emerging onshore financial centre which aims to expand its financial services sector by encouraging international foreign investment, particularly in the areas of fund management and banking, wishes to appoint a Regulator for investment services activities.

The position calls for an experienced individual who is currently involved in regulating onshore/offshore funds or is a professional in an accounting or legal practice where advice is frequently given on compliance with investment services rules and regulations. Alternatively, the individual could be involved in investment services/fund management with experience of regulatory compliance.

Key responsibilities will be:

- advising the Commissioner of the Regulatory Board
- developing regulatory policies
- advising prospective entrants on establishment and regulatory matters
- establishing active monitoring of licensed firms.
- devising operating procedures and working practices.

The post will be based in an attractive European location and will be for an initial period of at least two years.

Please send full career and remuneration details including telephone contact numbers and quoting reference 2002 to Stephen Fletcher at the address below.

KPMG Selection & Search
1-2 Dorset Rise, Blackfriars, London EC4Y 8AE

SENIOR CONSULTANTS

Capital Markets - Equities

£35-42,000 — **City**

Our client is a major division of one of Europe's leading and most ambitious financial information businesses: the premier supplier of bespoke training services to the financial services sector - in the UK and throughout the world.

Its strength and credibility flow exclusively from the energy and talent of its Consultants; their advanced skills, creativity and commitment combine to deliver outstanding benefits to prestigious client organisations - enabling them to thrive in increasingly complex and pressured commercial environments.

These are opportunities to join that team of outstanding individuals - who clarify client needs, translate them into bespoke training and consultancy solutions - and take full responsibility for their effective implementation.

Specifically, you should bring considerable experience from the Capital Markets and Equities environments - from either a marketing or a trading perspective; exposure to Corporate Finance would also be valued.

Furthermore, whilst an international aspect to that experience - and language skills - would be attractive, an enthusiasm for working on overseas assignments is certainly essential.

Above all, you must display the credibility and confidence necessary to advise and influence in the context of a knowledgeable and demanding audience.

The rewards include a negotiable salary and bonuses - and the opportunity to make an exciting and positive career change whilst fully exploiting and building upon your existing knowhow.

To apply, please send your CV without delay, quoting Ref. FT.105 to the company's Recruitment Consultancy: Arch House, 2-4 High Street, Chalfont St. Peter, Bucks. SL9 9QA. Tel: 0753 880313 Fax: 0753 884053

ARCH INDEPENDENT

SERVICES TO THE CONSULTANCY PROFESSION

Corporate Treasury Sales

Our Treasury Services team seeks two experienced members to both maintain its high level of client service and to provide more specialised information

Corporate Dealer

This role involves developing relationships with both corporate and institutional clients by anticipating and responding to their needs for information and specific treasury products.

Corporate Dealer - Structured Transactions

This role involves providing tailored solutions in response to our corporate and institutional customer requirements. Candidates will make full use of their knowledge of foreign exchange, bonds and derivative instruments to price and structure deals to assist in providing ideas and risk management solutions. Experience of pricing models, corporate treasury risk and computer spreadsheets are essential.

Candidates for both positions will be numerate, creative, have a minimum of three years' experience of treasury sales, and a thorough understanding of how foreign exchange and interest rate products are used by corporate and institutional clients. A successful track record of business development in a demanding environment and excellent communication skills are essential. Education is likely to be to degree level and fluency in a foreign language would be advantageous.

We offer a competitive salary and full banking benefits.

To apply, please send a CV and details of current salary to Mrs C Lambert, Assistant Director, Personnel Department, Hambros Bank Limited, 41 Tower Hill, London EC3N 4HA. Telephone: 071-480 5000.

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It is envisaged that the successful applicant has several years of investment banking experience, has a strong bias towards development in Central and Eastern Europe and is specifically interested in entering/acquiring an equity stake in the Company, and where relevant, investee companies.

The Company is part of a group of corporate finance companies some of which are in the process of being established.

Applications together with CV's should be forwarded to:
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Salary and benefits commensurate with experience.

Please reply, listing how you meet these criteria and enclosing your CV to: Box No. B 1686, Financial Times, One Southwark Bridge, London SE1 9HL.

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Fund Manager-Global Fixed Income

Our client is a leading London based investment management group with in excess of £20billion under management. As a result of continuing business growth the company is seeking to appoint an additional fixed income fund manager to join its established and highly successful fixed income team.

The Role

You will be responsible for managing multi-currency portfolios on behalf of North American institutional clients. Undertaking in-depth fundamental analysis, you will contribute to the development and implementation of the team's investment strategy.

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You will have a good degree and a minimum of 5 years experience of financial markets, of which at least 2 years will have been in fixed income fund management. You will be a confident and able communicator.

The Rewards

An attractive salary and bonus are offered together with a generous benefits package. For an ambitious and successful individual, long term career prospects are excellent.

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Fax Number: 071 355 1521. Quoting Ref: IC/GFIFM/02/1

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Candidates will be of graduate calibre and may have a background in accounting. They will have experience of processing a range of derivative products, including futures and options, and should have a sound knowledge of the accounting implications of these. This technical expertise should be combined with the management skills necessary to lead and motivate a team. Additionally, they will be confident in their ability to interface with clients and to communicate effectively at all levels within the organisation. In return, the position offers a competitive compensation package and excellent career prospects.

Interested candidates should write to Suzie Mummé at BBM Associates Ltd (Consultants in Recruitment) enclosing a full Curriculum Vitae. All applications will be forwarded direct to our client for consideration. Please list in your covering letter any organisations to which you would not wish your CV to be sent.

76, Watling Street,
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CORPORATE FINANCE

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Continued growth in the volume and complexity of our fixed income business in London has created an opening in our Fixed Income Research department for an experienced credit analyst to support corporate bond trading, sales and new issue syndication.

Candidates for this position should be educated at least to first degree level and have a formal credit training together with at least 2-3 years' relevant experience. The job requires an ability to work closely with sales and trading professionals to carry out market-sensitive credit research covering a wide variety of European risks. Prior knowledge of fixed income products and markets would of course be a distinct advantage, but we will consider candidates with a more traditional credit analysis background provided that they can demonstrate the intellect and personality to thrive in a dynamic trading environment where effective communications skills are vital.

If you are interested in developing your career with Merrill Lynch please write, enclosing full details of your background and experience, to Alan Beazley, Personnel Manager, Merrill Lynch Europe Limited, Ropemaker Place, 25 Ropemaker Street, London EC2Y 9LY.

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Candidates, ideally graduates and with credit training obtained at a major international bank, should have

- minimum of 5 years in credit risk assessment
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Applications, accompanied by a full curriculum vitae, should highlight the candidate's ability to make contributions in the areas indicated and be sent to

Box B1690, Financial Times,
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Salary is negotiable.

Please write in the first instance enclosing cv to :-

Louise Hughes
Arthur Andersen
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Manchester
M1 4EU

EMERGING MARKET EQUITY SALES

Our client, a highly successful and rapidly expanding international investment bank, is looking to expand its operations in the UK by the recruitment of an equity salesman with a UK and/or European client base to make the transition to the growing area of emerging market equity sales.

The chosen candidate, of graduate calibre and probably in his or her late 20's, will possess a minimum of three years' prior equity sales experience. Whilst it is most likely that this sales experience will have been gained in the developed markets of Continental Europe, it is possible that the candidate will have had some involvement in the emerging markets. Strong analytical skills combined with fluency in Spanish and/or one other Continental European language would be advantageous, although not essential.

In conjunction with colleagues already experienced in emerging markets, this person will be responsible for selling a cross-section of Latin American and Far Eastern equities at a primary and secondary level to both existing and new clients amongst the UK and Continental European fund management community. The chosen person will have the support not only of two experienced emerging market equity traders, but also of the global in-house research team.

The position provides a highly competitive salary and benefits package, including significant bonus potential. Prospects for further career advancement are excellent.

Please reply, in absolute confidence, to Neil Salt, quoting reference NAS2140.

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Facsimile: 071 796 4255

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For a confidential discussion please call Philip Ashby-Rudd on 071-623 1266 or 071 237 4552 (Evenings).

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THE BANKER

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THE BANKER, the monthly international banking magazine of the Financial Times Group, is seeking a researcher/journalist to join our Bank Research unit and editorial team.

The post involves the compilation and analysis of bank data for our various bank listings, including out Top 1000 listing, and offers the opportunity to write in our Technology section.

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Written applications must be submitted by 24th September to Elizabeth Williamson at the address below, who will be arranging interviews with our client in the week commencing 27th September.

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A very competitive salary package is offered.

Interested applicants, in strictest confidence, should send their CV to: Frederick Artesani, Benito & Monjardin, c/ Alfonso XII no. 26, 28014-Madrid, SPAIN or call 010-341-5314499.

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This is a challenging position in an exciting market which should give the candidate the possibility to increase substantially his/her client franchise.

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Established London based UK subsidiary of a prominent Saudi Arabian petrochemical company, with marketing operations throughout western Europe, invites applications for the following posts:

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Ideal candidate will have a minimum of 10 years experience in the plastics industry, and will have a science degree. Proven skills in Unipol technology as used in plastics manufacture in Saudi Arabia, together with fluency in English, and Arabic are essential.

2. MARKETING RESEARCH MANAGER
Responsible for marketing research activity in the petrochemical industry in Europe, appraising management on trade agreements/negotiations between the GCC and the EC, and maintaining competitor analysis. Maintaining key contacts with EC bodies, GCC secretariat, and relevant trade associations. Principal point of contact with the Marketing Research department of parent company in Saudi Arabia.
Ideal candidate will be a graduate, preferably MBA (Economics), with fluency in English and Arabic.

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ACCOUNTANCY COLUMN

In support of the profit and loss account

Balance sheets should show the results of the company's transactions, writes Ron Paterson

The Accounting Standards Board has been in operation for three years and is fully into its stride. But I am worried that it may be striding in the wrong direction. I believe its approach puts undue emphasis on the balance sheet, to the detriment of the profit and loss account, and to the disadvantage of users of accounts.

The board has now published all but one of the chapters of its draft statement of principles. This is designed to provide a conceptual framework on which to base future standards. In a political context it might also be seen as a kind of manifesto, setting out the board's vision of accounting to seek the endorsement of the business community. In these terms, it would not attract my vote.

Perhaps more worryingly, there has been very little public debate on the whole project, and there is a danger that we will end up with the framework being adopted without many people realising what it entails.

The ASB's proposals implicitly make the balance sheet the central plank of the financial statements, with the profit and loss account dependent upon it. Financial statements are to be built around rules for the recognition and measurement of assets and liabilities, not the allocation of transactions to accounting periods by the matching of items of income and expense.

Consistent with this perspective, the ASB appears to favour current valuations in preference to historical costs. Their approach seems to be to try to make the balance sheet more like a statement of wealth, with the movement in net assets being the primary measure of performance. Financial reporting, from this standpoint, is essentially an exercise in valuation.

I take a different view of the purpose of company accounts. I do not see them as trying to value the business, or even to value its individual assets, but simply as reporting the results of the transactions the company has entered into. It is for the market-place to value businesses; it is the role of accounts to provide some (and only some) of the information the market needs for that purpose.

Companies are generally valued, not by reference to their assets, but on the basis of the stream of cash flows which they are able to generate for their stakeholders. The financial reporting priorities which are relevant to this should focus on the profit and loss account more than the balance sheet.

This is in fact how accountants have traditionally approached the task of preparing accounts: by analysing the transactions recorded in the company's books and using the matching and prudence concepts to allocate them to periods, not by conducting an inventory of its assets and liabilities.

Because of this different perspective, I see historical costs as possessing a relevance which the ASB does not acknowledge. Historical costs represent the amounts at the time a company's transactions were actually undertaken and which gave rise to its actual cashflows. In contrast, current values are often more in the realm of opportunity costs.

I agree that there can also be a place for current value systems of accounting, but I see no need to abandon historical cost accounting as the basis of the principal financial reporting model. In any case, it can always be supplemented by valuation information in the form of additional note disclosure if this is thought to be useful.

Perhaps memories are too short. Previous efforts to introduce systems of current value accounting, both in this country and elsewhere, have been unhappy experiences. The inflation accounting saga of the late 1970s and early 1980s was generally regarded as an embarrassing fiasco and did considerable harm to the standard setting process thereafter.

Trying to start with the balance sheet is like building a house from the roof downwards

Valuations which are not verified by actual transactions are hypothetical and sometimes too far fetched to have much relevance to the business whose accounts are being presented. The business community's faith in the reliability of property valuations has been shaken by the turmoil in market conditions in the last few years, for instance, while the problems of valuing assets such as brands are even greater.

Apart from these measurement issues, there are some other respects in which the balance sheet and the profit and loss account approaches to accounting diverge. This is because the ASB's proposed definitions of assets and liabilities will sometimes create a conflict with the matching and prudence concepts which form the basis of existing generally accepted accounting practice in the UK.

For example, FRS 3, the new standard on the profit and loss account, does not allow any provision to be made for the expected loss on sale of a business until a binding sale agreement has been concluded. The argument is that there is no liability until that point. But prudence would suggest that the loss should be provided for as soon as it can be foreseen, even if the contract has not yet been signed.

In my view, the allocation of transactions to the profit and loss accounts of successive accounting periods should determine what goes in the balance sheet, and not the other way round.

Some people may see this as an irrelevant distinction, arguing that the choice of route makes no difference, because you come back to the same answer. But the balance sheet under the matching approach which I prefer will include deferred items which do not meet the ASB's definitions of assets and liabilities, and should be seen more as a statement of residuals than as a statement of wealth.

The practical difference between the two approaches emerges in some of the more complex areas of financial reporting, such as accounting for deferred tax, foreign currency hedges or pension costs.

For example, under the matching approach which forms the basis of present accounting practice, the cost of any past service pension enhancements is deferred and amortised over the future working lives of the employees who benefit from the enhanced award. In contrast, under the balance sheet approach the increased cost would have to be written off immediately, because it would not meet the ASB's definition of an asset.

Does it matter if the balance sheet includes such deferred items? Should it not be confined to "real" assets, as the ASB proposes? It might matter if it were ever possible for a balance sheet to show the wealth of a company in the first place. But except for investment trusts and similar companies, this is an unattainable goal.

At best, accounts can be expected to present only a rather stylised model of a company's financial affairs. We should never forget that financial reporting is not an end in itself, but simply a means of presenting information which allows its readers to gain an understanding of the commercial reality which lies behind it.

The most tangible expression of this reality is to be found in the cash flows which the company generates and the transactions which give rise to them. It is these transactions which users of financial information really need to understand, and which should provide the starting point for the preparation of the accounts.

Trying to start with the balance sheet is like building a house from the roof downwards.

Ron Paterson is a partner in the technical services department of Ernst & Young.

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To enhance and build on its achievements to date, it is seeking to recruit a highly motivated Finance Manager, who will be responsible for consolidating and enhancing the financial support for the International Ventures Team.

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This will require significant interface with divisional and corporate finance colleagues.

You will also be responsible for maintaining key accounting, reporting and control systems for this growing Business Unit and the provision of ongoing management information for both financial and operational management.

In order to rise to the challenge of this varied role you will be a graduate, qualified accountant (likely aged 30-40) earning in excess of £40,000, who in addition to significant involvement in international finance and economic analysis, preferably with exposure to international M & A, has had extensive experience of financial control and management reporting.

Although Midlands based, some time will be spent in London and there will be up to 20% overseas travel. Knowledge of another language would be an advantage but is not essential.

Individuals who possess the skills and flair to undertake this demanding role, should send their CV, together with a note of current salary to Shirley Knight BA, MBA, ACMA at FMS, 5 Bream's Buildings, Chancery Lane, London EC4A 1DY.

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These challenging appointments demand excellent communication, accounting and analytical skills, combined with strong management presence and a flexible approach. Success in these positions will lead to further career enhancement within the Group.

For further information and a confidential discussion please contact our consultant **Justine Aspey** on **071-387 5400** (evenings **081-761 8375**) or write to her at **Financial Selection Services**, Drayton House, Gordon Street, London WC1H 0AN. (Fax: 071-388 0857.)

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- Several autonomous subsidiaries, associate companies and a range of agency agreements
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- International suppliers generating demand for foreign exchange
- A high level of stock with implications for cash flow and funding

A commercial finance manager is needed to join at or near to Board level and head up the finance function. Initially concentrating on upgrading management information, you will also be responsible for working capital management, treasury and IT.

Probably aged 35-45, you will be able to demonstrate:

- A wide range of experience, possibly gained across several industry sectors
- An affinity for the collection, analysis and presentation of management information
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Your personal style means that you keep an open door and you probably don't wear a jacket! You prefer management with a human face and enjoy working as part of an informal team. Your commercial effectiveness is based on an intuitive business understanding.

If you feel that this is you, please write and argue your case, enclosing full CV and remuneration details and quoting reference D/0037 to:
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19 Cornwall Street
Birmingham
B3 2DT

Financial Controller
(Italian Speaking)

South Beds **c £50,000 + FX Car + Benefits**

Our client is a successful, acquisitive, international, Times Top 100 industrial group. The company has restructured to accommodate growth and the changing demands of its business resulting in an outstanding opportunity for an Italian speaking Controller to join its corporate headquarters.

Reporting to the Group Financial Controller, the successful candidate will be a key member of a small highly qualified team dedicated to adding value to the Group's portfolio of businesses.

Specific responsibilities will include:

- Improving control, reporting standards and cash management.
- Planning and performance evaluation.
- *IT strategy and systems review.*
- Screening capital and major revenue projects.
- Reviewing business unit finance organisation staffing.

Prospective candidates must be fluent Italian speakers educated to degree standard with a recognised UK finance qualification. Probably aged 32-42, candidates will demonstrate a strong track record involving financial control preferably gained in process or high volume manufacturing environments.

Direct experience of Italian accounting conventions would be highly advantageous and candidates should be prepared for 30-40% overseas travel. Personal qualities will include ambition, energy, drive and a resilient outgoing personality. In return the company offers generous remuneration (including full relocation package) and outstanding international career prospects within finance and possibly general management.

Interested candidates should write to **David Head (Regional Manager)** at **Michael Page Finance, Centurion House, 136-142 London Road, St Albans, Herts AL1 1SA.**

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Our client, part of a growing, profitable and high profile British PLC with a turnover in excess of £1bn, is a multi site, service based manufacturing and sales organisation. It is embarking on a period of rapid organic growth. To support this growth and increase the efficiency of the finance function they wish to appoint a commercially rounded finance professional.

Reporting to the Financial Controller and supported by staff of 23 you will be expected to impact on all areas of the business. Initially you will be required to focus on management accounting areas where your key tasks will include: undertaking a complete review of all aspects of the management accounting process and procedures prior to a major computer system upgrade; ensuring that the quality and timeliness of all management information meets stringent group and company criteria; and leading your department in a manner which develops the skills of your staff whilst ensuring the business' needs are met. You will also undertake company and group driven ad hoc exercises which will regularly expose you to key Board members.

The successful candidate will be a qualified accountant, ACMA/ACA, aged 28 - 35 years, with strong analytical, technical and communication skills. You will have gained a minimum of 5 years' experience in manufacturing and service environments where you can demonstrate that you have brought about change which materially improved the efficiency of functions under your control.

Personally you will be seeking to join a management culture which rewards performance and success, stimulates initiative and encourages endeavour.

To apply, please send a full CV to Chris Davis quoting ref. DL165 at David Loots Associates Limited, Furness House, Salford Quays, Manchester M5 2XJ.

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The Auditing Practices Board
Technical Project Manager

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The Auditing Practices Board (APB) was formed two years ago under the auspices of the C.C.A.B. It is responsible for developing and issuing professional standards for auditors in the United Kingdom and Republic of Ireland.

The APB membership comprises both auditing practitioners and non-practitioners (including representatives from leading City institutions) and this signals the APB's commitment to advance standards of auditing in the public interest.

The role of Technical Project Manager has come about as a result of the increased scope that the APB has taken on, resulting in a growing number of key projects being developed by the APB. The team currently consists of four professional members with additional administrative support and it is essential that the successful candidate will make a positive contribution to this team.

Working closely with a very high profile board of members, the job will demand an individual with a strong combination of technical and interpersonal skills.

Specifically you should be:

- A Qualified Accountant with a minimum of five years' post qualified experience.
- Ideally currently, or recently, working within the technical department of a leading firm of accountants.
- A first rate academic background coupled with a proven track record in dealing with technical matters. Evidence of report writing skills will be a pre-requisite.
- First class interpersonal skills are necessary to work successfully at the interface between technical working parties and the main board of members.
- The ability to be able to think laterally and imaginatively and have the energy to co-ordinate a number of projects simultaneously.

If you feel you meet these criteria and are interested in meeting the challenges that the APB has ahead, then please contact Matthew Leedham at Michael Page Finance, Page House, 39-41 Parker Street, London, WC2B 5LH with a full technical curriculum vitae or Telephone him on 071 831 2000.

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Director Potential

W. Herts. **c.£40K + Significant Bonus + Car**

This opportunity exists within an autonomous division of a British plc. Operating in niche, high added-value electronics, this international business continues to achieve rapid, profitable growth through being market-led and quality-driven. Investment in success is exemplified by a demanding programme of new product development and international expansion.

The Controller will be a critical contributor to the continued success of the business at both group and company level. Candidates must possess strong business acumen together with proven Controller experience and be comfortable in a questioning, high achieving management team. General management potential will be apparent.

Suitable candidates will also possess:

* Significant manufacturing background
* International experience including knowledge of accounting standards
* Experience of European business culture
* Commitment to innovative people-centred management principles
* Thorough knowledge of computerised business systems
* The ability to be a good team worker, leader and communicator
* Fluency in a major European language would be advantageous

You will be a qualified accountant, degree educated, aged 30+ with a successful track record to date, together with the determination to contribute and succeed in this very ambitious environment.

The salary, bonus and benefits package reflect the importance of this role.

Please write, in confidence, enclosing full career details and present salary to Peter Lewis at Line Management Resourcing. As applications will be forwarded to our client, please specify in your covering letter any companies to which your details should not be sent.

Line Management Resourcing
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To maximise their market leading position in the UK, a role has been created for an experienced Finance Professional operating at Senior Management level encompassing seven divisions with a team of 4,000. You will take responsibility for the initiation, development and implementation of cost control throughout the UK arm of the business.

This is a highly visible and influential position and requires the highest level of financial management and systems expertise, coupled with exceptional interpersonal skills.

You will be a Qualified Accountant (ACA/ACCA/CIMA) or MBA aged 32-40 with a successful track record of achievement to date, or relevant experience in a large business.

You can expect a stimulating, challenging role with genuine scope for real achievement and advancement in a rapidly changing environment. There is superb potential for career progression and development in the short term.

If you feel confident of your ability to deliver in this demanding environment please telephone, send or fax your CV quoting Ref Number JL3001 by 24th September to
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CITY **AGE 23-27**

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The department offers advice to a wide range of companies throughout the UK and internationally. With the Group's substantial resources, Samuel Montagu has the capacity to underwrite and finance transactions of all sizes.

This company wishes to recruit a small number of high calibre executives. The successful candidate will:-

- be a recently qualified accountant or solicitor from a large professional practice, or a graduate with up to two years' corporate finance experience in another leading city institution
- possess the necessary commitment and drive to succeed within this team based environment
- demonstrate an informed interest regarding recent major developments within the UK Corporate Finance Market

In return, a highly attractive package is on offer and promotion opportunities will only be limited by the successful candidates' level of achievement.

Interested applicants should write to Stephen Grant (fax 071-915 8714), enclosing a detailed CV at **Robert Walters Associates, 25 Bedford Street, London WC2E 9HP.**

ROBERT WALTERS ASSOCIATES

Finance Director

Daryl Industries Limited is a successful, independent Wirral-based company which designs and manufactures a comprehensive range of bath and shower enclosures. We sell principally to builders' merchants and specialist retail outlets and are known throughout the sector for excellence in design, product quality and innovative marketing.

The company now wishes to appoint a **Finance Director** who will complement the existing Board members and complete a powerful team helping to achieve planned profits by developing new products and expanding sales both in Britain and abroad.

Candidates should be graduate chartered accountants aged 40 or under with experience in the manufacturing sector and skills including product costing, budgetary and financial control in a computerised environment. You will need to demonstrate the ability to contribute at Board level in a business where change is the norm and success is demanded.

Planned salary is c£40,000 pa including bonus, company car and other benefits.

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Candidates must be qualified Accountants of graduate calibre, aged 32-45, with a proven track record in financial management within a practice or the financial services industry, ideally with some experience of a plc environment. Highly developed judgement, interpersonal and communication skills are vital both in managing the internal team, working with other functions, and communicating with investors.

For an initial discussion in strictest confidence please contact Richard Alderman, quoting reference 4808 at De Lisle Stephens, 20 Cousin Lane, London, EC4R 3TE. Telephone 071 236 7307 or fax 071 489 1130. Please note all CV's will be forwarded to our retained consultants.

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In the longer term, activities will focus on the establishment and negotiation of a new debt portfolio, including access to the commercial money market.

To fulfil these requirements, we seek an experienced treasurer with a strong track record in debt management, which should include a network of banking contacts. Treasury experience could have been gained in either a corporate or banking environment and you will see this as an opportunity to control your own treasury function in a major and forward looking company.

Please write, enclosing a full CV and quoting reference J/1396, to:
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Executive Search & Selection
Price Waterhouse
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Fax: 071-638 1358

FINANCIAL CONTROLLER, MARLOW

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Our client is a market leader in the Wireless Data Communications Industry and a subsidiary of a Canadian Public Corporation. The recent formation of a UK Group of companies has provided an emerging growth situation for the Company to develop its current and future products within the International market place.

Reporting both to the Chairman, UK and the Secretary - Treasurer, Canada, an opportunity has arisen for an ambitious accountant to set up the accounting function within the UK. Initially, your responsibilities will include the design and implementation of a new Group accounting system, including the establishment of effective budgeting, cost and financial control procedures. Ongoing responsibilities include external reporting, preparation of consolidated financial statements, reporting to the Canadian Parent Company, tax administration and liaison with a variety of outside institutions. There is potential for the right candidate to become increasingly involved in the overall management of the UK Group once the accounting function is fully established.

The successful candidate will be ACA qualified with a minimum of 4 years post-qualification experience. At least 2 years will be within industry. You will already have experience of setting up new accounting procedures, preferably within a small company environment. You will also be computer literate. This role requires flexibility, as in the initial stages a hands-on approach is required. For the longer term, you will have breadth of vision coupled with integrity which will enable the organisation to continue to grow and develop within its field.

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A qualified accountant, you should have around five years' post qualification management experience, and sound knowledge of management and financial accounting procedures, and computerised financial systems. Able to work to tight deadlines, your strong interpersonal skills should be supported by excellent leadership ability.

Salary, depending on experience will be in the range £30,000 to £38,000. A generous benefits package will be offered including car, profit sharing, pension and relocation assistance where appropriate.

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c£40,000
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Candidates will be qualified accountants, aged 30-40, with an impressive background of Director/Controller experience which has been 'hands-on' applied in a small/medium sized company. The successful appointee will be a decisive and effective change agent with proven inter-personal skills and a strong boardroom presence.

Please send a comprehensive CV (or telephone for an application form) to Howgate Sable & Partners, Arkwright House, Parsonage Gardens, Manchester M3 2LF. Tel: 061-839 2000, Fax: 061-839 0064, quoting ref. F.T.881.K.

Howgate Sable
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Group Finance Director

MULTI-SITE WHOLESALING
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Only qualified accountants, probably aged over 35 with a first class career record including experience with a major consumer product retail/wholesale chain, will be considered. A high degree of accounting and IT competency is demanded coupled with the social and communication skills necessary to operate at plc Board level, but above all we seek an ambitious commercial manager.

Please send a comprehensive CV (or telephone for an application form) to Howgate Sable & Partners, Arkwright House, Parsonage Gardens, Manchester M3 2LF. Tel: 061-839 2000, Fax: 061-839 0064, quoting ref. F.T.876.A.

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Newchurch & Company is a London based firm of business development advisers offering practical advice and assistance in organisational evolution, strategic development, research, acquisitions and fund raising. The Company has an established reputation for working with senior managers affected by the radical changes taking place in a range of social businesses in both the public and private sectors. We are growing rapidly and are currently seeking two professionals with strong academic credentials and a proven ability to apply pragmatic and innovative solutions. Good numerical and communication skills, both written and verbal, are essential for each post.

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Interviews to be held 13th and 14th October at our offices.

Applications with a full c.v. by Friday 1st October 1993 to:

Richard Langford, Director, Newchurch & Company Ltd, 12 Charterhouse Square, London EC1M 6AX

Applications will be dealt with in the strictest confidence.

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Scotland/S.E England **to £45,000 + Car**

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Applications will only be considered from graduate Chartered Accountants, aged 30-40, who can demonstrate proven expertise in statutory reporting, corporate finance, mergers and acquisitions and I.T. matters. Outstanding interpersonal skills are a prerequisite. Initially based in Scotland, flotation plans may necessitate a relocation to the South East within 2 years. The excellent benefits package will give scope for equity involvement.

For further information please contact Malcolm J. Hudson on 071-831-2323 or alternatively, forward your CV in confidence to Hudson Shribman at Vernon House, Sicilian Avenue, London WC1A 2QH (Fax 071-404-5773).

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financial recruitment

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Applications are invited from graduate ACAs aged 26-35 who can demonstrate sound technical ability, have a strong treasury bias and who have a pro-active approach to making a real contribution to business. A minimum of 2 years relevant post qualification experience is desirable as is practical experience of multicurrency, treasury and investment matters.

For further information please contact Malcolm J. Hudson on 071-831-2323 or alternatively, forward your CV in confidence to Hudson Shribman at Vernon House, Sicilian Avenue, London WC1A 2QH (Fax 071-404-5773).

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Interested candidates should write, quoting reference number 16091, and enclose a Curriculum Vitae with salary details to: Tony Martin, Martin Ward Anderson, Goswell House, 134 Peascod Street, Windsor, Berkshire SL4 1DS.

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Interested individuals should write to Gerry Davies at Robert Half, Princess Beatrice House, Victoria Street, Windsor, Berks SL4 1EH. Alternatively, fax your details on 0753 841676. All enquiries will be treated in confidence.

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SIDNEY SUSSEX COLLEGE, CAMBRIDGE

OFFICE OF BURSAR AND STEWARD

The College intends to make an election to the combined offices of Bursar and Steward, the person appointed to join the College 1 February 1994 or as soon as possible thereafter. He or she will then work with the present Bursar and Steward, assuming the full responsibilities on 1 April 1994. The successful applicant will be elected simultaneously to a Fellowship of the College and will be an *ex officio* member of the College Council.

The Bursar and Steward is responsible to the College Council for all the financial and administrative aspects of the College's life and is centrally involved in all College policy and planning. He or she is also directly involved in budgeting and expenditure control, catering and accounts, buildings, financial and estates policy, assistant staff, conferences and appeals. It is also the intention of the College to create shortly a new post of assistant to the Bursar and Steward who will assume some of the immediate responsibilities for a range of the domestic duties.

The stipend will be within the range of *£27,000 - £35,000* p.a. and the election is for three years in the first instance, with eligibility for re-election for successive periods not exceeding five years at any one time. Further written particulars are available from the *Master's Secretary*.

Applications (10 copies), should be sent to the *Master*, Sidney Sussex College, Cambridge CB2 3HU, tel (0223) 338800, fax (0223) 338884, as soon as possible and should reach him by 22 October 1993 at the latest. Applications should be accompanied by a full *curriculum vitae* and the names, addresses and telephone numbers of not more than three referees, whom the College can contact immediately. Testimonials should not be sent.

The College is an Equal Opportunities Employer.

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The appointment is for a fixed term of three years' and may be extended to five years'.

Please forward your C.V. together with a letter explaining how your skills and experience would suit you to this role, quoting reference FT/FC/1/93, to the Senior Staff Personnel Office, DRA Farnborough, Hampshire GU14 6TD. Telephone (0252) 394612/394610.

Closing date for receipt of completed applications is 1st October 1993.

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The appointment offers a rare opportunity for a dynamic individual who is a qualified accountant, probably aged 35 to 45, to make a rapid contribution in an exciting company through the provision of effective financial management and advice at Board level.

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Interested candidates should write in confidence to **Christopher Stokes** at: Nicholson International Italia (Search & Selection Consultants), via Cernaia 11, 20121 - Milano, Italy, quoting reference TC 3793, or fax details on **39-2-29010310.**

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Accounting and Administration Manager

Estates Department

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Your main tasks will be:

- Production of monthly management accounts
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- Accounting for "special needs" schemes

The successful candidate will:

- Be a qualified accountant, ideally with at least 2 years post qualification experience
- Have excellent verbal and written communication skills
- Be a proficient spreadsheet user

For further information and an application form please ring 0732 743809 (24 hour answerphone)

Closing date for all applications: Monday 27th September 1993. No CVs please.

Moat is working to implement its Equal Opportunities Policy.

MOAT

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FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Olivetti goes for mobile phone market

Olivetti, the Italian computer group due to report first-half results next week, hopes to break into Italy's buoyant mobile telecommunications market. The Italian market is Europe's second biggest after the UK, with more than 900,000 subscribers. Mr Corrado Passera, joint managing director, has asked the government to respect a European Community deadline to name a second operator for the GSM network by early 1993. Page 18

European equities trades rise

European bourses saw turnover rise for the third successive month in August, although the pace of increase slowed as the holiday season got under way, after the strong advances of the previous two months. Back Page

NBC seeks Superchannel

NBC, the US television network, is in negotiations to takeover Superchannel, 64 per cent owned by the Marcucci family of Italy and 36 per cent per cent by Mr Richard Branson's Virgin group. The deal is expected to value Superchannel, the UK based European satellite group, at around $70m (£45m).

Problems for Pechiney

Pechiney, Europe's biggest aluminium producer, is working with other producers to gather as much information as possible about unexpected technical problems affecting plant installed at the world's most recently-completed aluminium smelters, all using the French group's leading-edge technology. Page 26

Rise at Legal & General

A strong recovery in the performance of its general insurance business helped Legal & General, the insurer, to increase pre-tax profits from £72.5m ($111.65m) to £75m for the first six months of 1993. Mr David Prosser, group chief executive, said the results "demonstrated the strong management actions taken to improve performance." Page 23

Wassall ahead 56%

Wassall, the UK conglomerate run by former Hanson executives, yesterday announced pre-tax profits up 56 per cent to £9.74m ($15m) in the first half of 1993. Page 22

Ports group almost doubles

Shares of Associated British Ports Holdings rose 16p to 452p yesterday on news of a near-doubling of profits from £15.1m to £29.4m pre-tax for the half year ended June 30. Sir Keith Stuart (left), chairman, said the company now employed 1,800 people at its 22 ports, a reduction of about two-thirds in 10 years. There would be further severance costs, he predicted, but nothing like on the same scale. Page 24

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Chief price changes yesterday

FRANKFURT (DM)			
Falls			
AEG	158	-	6
Douglas Hdg	540	-	10
SEHE	420	-	7.5
Hochtief	1060	-	21
Kaufhalle	540	-	11
Porsche	632	-	7.5
NEW YORK ($)			
Rises			
Battle Mnt Gld	7⅝	+	¼
Newmont Mining	48¼	+	1
Placer Dome	18¼	+	1⅜
Snowboat	19	+	3⅜
Falls			
Pfizer	60¼	-	¾
Wang Labs	4	-	¼
PARIS (FFr)			
Rises			
Cr Fonc France	1188	+	35
Ecco	540	+	10
Falls			
Cred Lyon (CI)	686	-	12
Elf	480	-	20
Imetal	138	-	5
Schneider	726	-	17
TOKYO (Yen)			
Rises			
Hokuriku Electric	2150	+	90
Falls			
Daiwa Bank	1170	-	50
Fuji Spinning	558	-	25
Hitachi Metals	900	-	60
Ikegami Tsush	1110	-	60
Ricoh	725	-	33

New York prices at 12.30pm.

LONDON (Pence)			
Rises			
BM Group	22½	+	3
Brown & Tawse	73	+	6
Dixons	260	+	27
Franch Connctn	145	+	25
HTV	72	+	6
Hoskins	73	+	4
Intl Food	80	+	9
Kleinfeld	35	+	7
Laporte	655	+	35
Lucas	184	+	10
Molyns	43½	+	4
Moorfield	48	+	4
New Frontier	100	+	11
Oriel	111	+	7
Sirdar	129	+	13
Falls			
AAF	47	-	7
Amstrad	378	-	20
Brit Fittings	75	-	7
Leigh Ints	213	-	15
London Intl	140	-	63
Micro Focus	1735	-	90
Photo-Me	343	-	20
Scoro	344	-	21
YRM	32	-	4

United Biscuits held to 1% increase

By Guy de Jonquières, Consumer Industries Editor

FIERCE price competition and a cost squeeze in the UK held United Biscuits, Britain's largest biscuits and snacks manufacturer, to a 1 per cent increase in pre-tax profits, before exceptionals, to £70.8m ($109m) in the six months to July 17.

The result, against £70m last year, was achieved in spite of buoyant performances in continental Europe and the Asia-Pacific region, and a modest recovery by Keebler, its troubled US subsidiary. The final pre-tax figure was boosted to £133.5m by an exceptional £62.7m gain from the sale of Terrys, the chocolate manufacturer, to Philip Morris, the US food and tobacco group, this year.

Sir Robert Clarke, chairman, said trading remained intensively competitive and second-half UK profits were unlikely to show any year-on-year improvement. However, he expected a "satisfactory" increase in group profit for the year.

The biggest setback in the UK was at McVitie's, the biscuits division, where operating profit fell 9 per cent to £36.6m from £40m, reducing margins to 11.8 per cent from 14 per cent.

Mr Eric Nicoli, chief executive, said half the fall in margin was due to the failure to recover higher raw materials costs and half to increased marketing expenses designed to check an erosion of market share.

The market share loss, which had been in McVitie's own-label business, had been reversed in the second quarter. However, UB expected lower margins to persist for the foreseeable future.

UK operating profit at KP, the snacks division, rose 2 per cent to £14.1m while Ross Young's, the frozen foods business, lifted profit by 6 per cent to £15.1 and increased its share of the British market.

Total UK operating profit fell 3 per cent to £59.9m.

Recent acquisitions boosted operating profit in continental Europe by 36 per cent to £13.7m, while Smith's, the Australian snacks division purchased last year contributed a £4.7m profit.

In the US, Keebler's operating profit rose 22 per cent to £16m. But most of the recovery was due to Bake-Line, the newly acquired US own-label producer, and Keebler's sales of branded products fell.

An increase in turnover of 20 per cent to £1.84bn from £1.53bn mostly came from international operations, which contributed 56 per cent of sales and 36 per cent of operating profit.

Earnings per share rose to 17p from 9.7p, but fell to 9.5p after adjustment to reflect the exceptional gain from the Terrys' sale. The interim dividend is unchanged at 5.5p

Details, Page 22; Lex, Page 16

Two Japanese trust banks set up securities units

By Robert Thomson in Tokyo

MITSUBISHI Trust and Banking and Sumitomo Trust and Banking, the Japanese trust banks, yesterday took advantage of the country's financial deregulation to establish securities subsidiaries.

Japan's five other trust banks are either planning new securities arms or have shelved plans to establish new companies. This highlights the effects on the banking industry of reduced asset values and the upsurge in non-performing loans.

Three banks said yesterday that securities subsidiaries were "under consideration".

Toyo Trust and Banking said it had other priorities, including dealing with non-performing loans.

Nippon Trust Bank said it had no plans to enter the securities business.

Before the collapse of Tokyo stock prices and the downturn in trading volume, most Japanese banks had welcomed the opportunity to enter the securities business provided by the Financial System Reform Act, effective from April this year.

The entry of the two trust banks follows the opening of securities units in July by two long-term credit banks, the Industrial Bank of Japan and the Long-Term Credit Bank of Japan, and by Norinchukin, the central agricultural bank.

However, the banks are strictly limited in the services they can offer. They can underwrite and trade in straight bonds, but only underwrite convertible bonds and warrant bonds, while they are excluded from the stock market.

Both Mitsubishi Trust and Sumitomo Trust will capitalise their subsidiaries, Mitsubishi TB Securities and STB Securities, at Y20bn ($188m).

The former will have 35 staff, rising to 65 next year, and the latter will begin operations with 38 staff.

Mitsubishi Trust intends to concentrate on dealing in Japanese government and corporate bonds, but will review the operations if the Ministry of Finance further relaxes the limits on the subsidiaries' dealings in the next two or three years.

The *ministry has indicated* that the restrictions will be gradually relaxed, but the timing will depend on the health of existing Japanese brokers, which oppose the banks' entry into the stock market.

Paribas arm loses role in Hungarian privatisation

By Nicholas Denton in Budapest

HUNGARY'S privatisation authority is striking Magyar Paribas, the local subsidiary of France's Paribas, off its list of advisers.

Mr Lajos Csepi, managing director of Hungary's State Property Agency (SPA), claimed yesterday that Paribas had made "big mistakes" as consultant on the privatisation of Pannon Suto, a bakery.

The SPA's clash with Paribas is the latest in a series of disputes between the Hungarian authorities and western advisers. "This is just the same game they played with BZW," said Mr Peter Medgyessy, director-general of Magyar Paribas.

The SPA sacked the UK's Barclays de Zoete Wedd as adviser on the privatisation of Kobanyai Sorgyar, Hungary's largest brewery, in November 1992. The SPA claimed, and BZW denied, that the UK bank had ignored instructions.

More recently, Hungary's State Audit Office attacked the handling by London-based Morgan Grenfell of the sale of Allami Biztosito, the state-owned insurer, to Aegon of the Netherlands.

The underlying charge against Paribas is that it should have stopped managers of Pannon Suto siphoning off the company's assets into their own private company.

Magyar Paribas said it was "absolutely innocent" and found the SPA's actions inexplicable. "I simply don't understand," said Mr Medgyessy.

Pannon Suto is included in Hungary's decentralised "self-privatisation" programme, in which advisers are given extra freedom to set the terms for disposal with a minimum of state intervention.

Confusion surrounds the decision to exclude Paribas, which is uncertain about the extent of the ban. It is unclear whether the SPA had excluded Magyar Paribas just from Pannon Suto's sale, from participation in the self-privatisation programme, or from all privatisation work with the agency.

Deeper problems underlie current euphoria, writes Haig Simonian

Italian shares boom on shaky foundations

Italian shares have climbed so sharply this summer that the stock exchange's overburdened computers recently suffered a three-hour breakdown under the weight of buy orders.

Milan has been the fastest-rising bourse in Europe since January. Investors have piled into equities as rates on government bonds have fallen in line with the international trend towards lower borrowing. That has prompted a bout of share buying unequalled since the mid-1980s when enthusiasm about company profits made Italy Europe's best-performing stock market.

However, this time the corporate sector is in much worse shape: companies have borrowed more heavily, interest rates remain relatively high, and Italy's 18-month political corruption scandal has tarnished the reputation of many companies.

Unless there is reform in management, banking and regulation of many companies, the surge in share prices could be a bubble waiting to burst.

Italy's banks have been taking the brunt of criticism for the difficulties facing the corporate sector. "The banks lent too freely in the late 1980s, when deposits were growing fast and bankers were falling over themselves to lend to companies to win market share," one foreign banker says. The legacy of that decision is immense debts that some groups are finding impossible to repay.

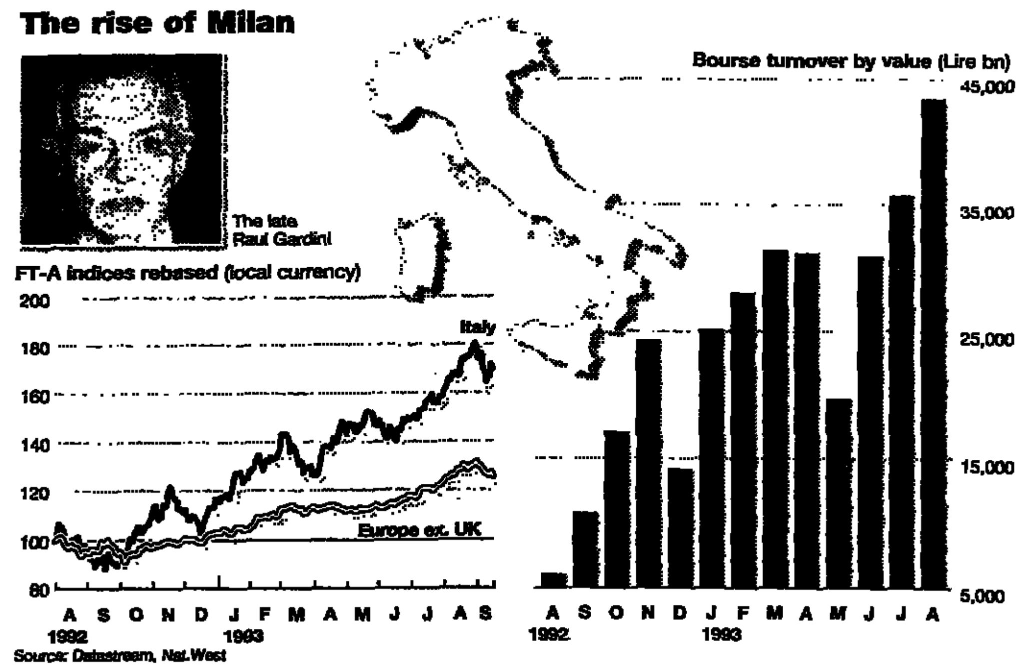
At least six of Italy's best-known companies have had to turn to their bankers for help this year. Ciga, the luxury hotels group controlled by the Aga Khan, has stopped paying interest on over L1,000bn ($633.56m) of debts and is trying to sell some of its best-known hotels to cut its financial burdens. The Cameli family, which runs a shipping and commodities trading concern, and Arvedi, one of Italy's biggest steelmakers, are both trying to shed assets to meet debts of more than L1,000bn.

The need for corporate rescues has pinpointed serious flaws in the way banks lend money and the way in which many groups use it.

Banks have stumbled in extending credit too freely, without assessing the risks. Many credits have been tied to fixed assets, such as property, rather than to cash-generating operations that have calculable returns. "With property prices diving across Europe in the past two years, it was foolish to think the same wouldn't happen in Italy," the banker says.

Weaknesses have also emerged in the way banks monitor their lending. This year's financial crisis at Ferruzzi, Italy's second biggest private company, has exposed some glaring lapses. Many banks were unaware of the extent of their loans to the sprawling Ferruzzi empire.

The rise of Milan



Source: Datastream, Nat.West

"Credit controls are still not up to the best international standards and management information systems are often antiquated," says the international credit chief of one US bank.

Poor management information and an emphasis on growth at all costs have been evident at many of the companies now in difficulty. Ciga's debts soared largely because of a decision to expand and refurbish three big Milan hotels without adequately assessing the consequences if demand for rooms dropped.

Opportunistic diversifications were also common. The Camelis expanded into an array of unrelated activities, including cash registers. And Ferruzzi, which is now staggering under debts of more than L28,000bn, expanded aggressively during the later 1980s, through a stream of takeovers and investments that moved it away from its core agricultural business into chemicals, pharmaceuticals, energy, newspapers, television and insurance.

Part of the reason for the costly diversifications was to enhance the image of the controlling Ferruzzi family. Determination to match industrial dynasties such as the Agnellis, who control the Fiat cars group, was a big influence on Mr Raul Gardini, Ferruzzi's former chairman, who killed himself in July.

Such *lèse-majesté* with shareholders' money has been facilitated by family domination of many companies. The Agnellis still own about 30 per cent of Fiat, while policy at Ferruzzi, which is 48 per cent controlled by the founding family, was dictated first by Mr Gardini and then by Mr Carlo Sama, both sons-in-law of the founder.

While owner-managers can contribute greater commitment to a business and understanding of its operations than an outsider, they can also be liabilities. Some Italian owner managers find it difficult to distance themselves from their companies and deal with difficult decisions.

In the case of Ferruzzi, owner-management may even have contributed to fraud. Milan magistrates investigating political corruption believe Mr Gardini authorised the payment of about L135bn in kickbacks to politicians to secure favours in dealings with the state. Ferruzzi's new management, imposed by creditor banks in June, also believes executives and members of the Ferruzzi family deliberately covered up about L435bn in trading losses since 1989.

Even when outside executives are brought into a company, their freedom of action is often limited by the management structures and the need to defer to controlling family interests.

The complex legal structure of many family-controlled companies has also restricted outside influences. Many well-known companies, such as Fiat, Pirelli, Ferruzzi and Benetton, are modelled on a pyramid, with a wholly owned holding company at the pinnacle, exercising control through a series of separate holdings. Floating minority stakes in the holdings have allowed many families to retain control of their empires without having to pump in the resources to needed fuel their growth.

For Italy's private sector companies to gain a sounder financial footing, such weaknesses need to be addressed.

Ferruzzi, which is due to unveil a restructuring plan later this month, could provide the first opportunity to such changes into practice. The group's new management has already taken some promising first steps, with the appointment of a slimmed-down board that should be more accountable to shareholders. Members of the Ferruzzi family have been excluded and one director has been appointed specifically to represent the group's 49,000 small shareholders.

The re-organisation is expected to involve a substantial simplification of the group's complex structure, and a return to the food and agricultural businesses on which the group was based.

If the changes are sufficiently ambitious, Ferruzzi could become the first of a new generation of Italian companies with a wide shareholder base, transparent structure and clear, commercial aims. If the plan fails, the weaknesses in Italy's corporate sector could worsen.

LIG falls after new profit warning

By Peggy Hollinger in London

ANALYSTS yesterday slashed annual profits forecasts for London International Group from about £35m ($53.90m) to £18m as the world's leading branded condom manufacturer issued its second profits warning in seven months and announced the early retirement of chief executive, Mr Tony Butterworth.

Earlier this year analysts had been expecting annual profits of about £40m. The shares tumbled 63p last night to close at 140p.

LIG, which was censured by the London Stock Exchange in May for issuing an informal profits warning to a select group of 13 brokers and four institutions, said yesterday difficulties in its photoprocessing business would leave interim profits "very substantially lower" than last year.

Mr Alan Woltz, chairman, said the group had been disappointed by another poor season in the photo division, leaving it with a small loss in the half-year to September 30. The health and personal products division had been hit by recession and restructuring, Mr Woltz said. Gearing remained high, around 100 per cent.

Analysts were taken aback by the extent of the warning and some were dismayed to see Mr Butterworth depart. "We did not expect trading to be that good but the extent of the shortfall is greater than we had expected," said Ms Jacqueline Cantle of Smith New Court. SNC estimated photoprocessing had incurred losses of £2m, in spite of cost savings of £6m-£7m in the past 12 months.

Some speculated that LIG would dispose of or close its photo business.

INTERNATIONAL COMPANIES AND FINANCE

Kredietbank advances to BFr4.96bn in first half

By Andrew Hill in Brussels

KREDIETBANK, one of Belgium's biggest private banks, increased net consolidated profit to BFr4.96bn ($145m) in the first half of 1993.

The group said profits had risen by 17 per cent from the BFr4.3bn of net profits calculated for the equivalent period. Direct comparison was not possible because of the change in Kredietbank's year-end in 1992.

The group forecast full-year profit "in line with the trend of the past years", during which it has recorded average annual increases of 13 per cent. In 1992, group profits rose by 14.3 per cent to BFr8.47bn, restated for a full year.

The group is to pay an additional non-recurring net interim dividend of BFr90 per share next month, linked to the change in the year-end.

Kredietbank said the strong increase in profit in the first half was due to a "sharp expansion in activity", improved control over costs, and better risk management.

The group's balance sheet total, for example, has risen by 7.8 per cent since the end of December 1992, from BFr2,279bn to BFr2,458bn. At the same time, current operating costs have risen only 3.2 per cent, while the ratio of costs to gross income has come down from 58.4 per cent at the end of 1992 to 55.1 per cent.

Kredietbank also succeeded in restricting the effect of depreciation and provisions to BFr6.18bn, almost unchanged compared with the equivalent period. Provisions for country and credit risks dropped by about 20 per cent, in spite of the increasing number of bankruptcies and the weak economy in continental Europe.

"Last year we were very careful and we made large provisions, because we were afraid the business cycle would slow down and we would have some problems. That was not the case," the company said yesterday.

Instead, during the first half, the group was able to set aside funds for modernising computers in its branches, and to increase contributions to reserves by a third.

Profit before tax rose by 32 per cent to BFr7.98bn in the first half.

Austrian oil group announces shake-up

By Ian Rodger in Vienna

OMV, the troubled Austrian integrated oil and petrochemicals group, has embarked on a Sch3.7bn ($331m) restructuring programme to bring it back into profit next year.

The partially-privatised group revealed last Friday that it would suffer a Sch1bn operating loss and pass its dividend this year, as slumping prices in European markets undermined its refining and petrochemical product margins. It had earlier forecast a modest profit for the year.

Mr Richard Schenz, the chief executive, said yesterday that the group would cut 40 per cent of its ammonia fertiliser capacity and would withdraw its geotextiles subsidiary from the US market.

These and other restructuring measures would entail the loss of at least 1,500 jobs, nearly 12 per cent of its workforce, over the next two and a half years.

The group's latest reverses have shaken both its own supervisory board and the Vienna Börse, although public threats by Mr Oskar Grünwald, the supervisory board chairman, to sack the personnel director and strip Mr Schenz of some responsibilities have not been carried out.

Mr Schenz said he was still hopeful that the first step in the group's full privatisation plans, the sale of a 20 per cent stake to a strategic partner, could be fixed before year-end.

He admitted he was wrong to make a profit forecast in April, but said he could not be blamed for the sudden deterioration in trading conditions in the second quarter.

The group suffered its largest loss - Sch417m - in the second quarter, more than treble the loss in the first quarter. It was then that the managing board decided it had to take radical steps rather than hope that an economic recovery would enable it to restructure more gradually.

Mr Schenz said he was not going to resign, and that the question was not discussed at Wednesday's supervisory board meeting.

Thyssen, Preussag lift Ekostahl bid

By Judy Dempsey in Berlin and Ariane Genillard in Bonn

THYSSEN and Preussag, Germany's steel manufacturers, have stepped up their efforts to buy Ekostahl, the lossmaking east German steel mill.

The companies launched a new proposal which, for the first time, includes an offer to inject cash into the struggling steel group.

The move is aimed at stemming competition in the region, and blocking Ekostahl's purchase by Riva, the Italian privately-owned steel maker.

Thyssen and Preussag are offering initially to buy 50 per cent of Ekostahl's cold-rolling mill and close down the hot-blast furnace within the next three years.

They want the Treuhand, the state agency in charge of privatisation, to take absorb any losses during the restructuring period.

The consortium is also offering to create 1,000 new jobs in Eisenhüttenstadt through its subsidiaries.

These would include recycling and construction. The moves might offset lay-offs of about 1,600 at Ekostahl itself.

The German offer coincides with growing pressure on Bonn from the European Commission to privatise Ekostahl as quickly as possible.

The privatisation of the east German plant at Eisenhüttenstadt would allow the Commission to move forward in its negotiations with state-owned producers in Spain and Italy aimed at reducing state subsidies and cutting overcapacity.

After talks in Brussels earlier this week, Mr Günther Rexrodt, Germany's economy minister, yesterday told the country's steel industry to speed up the privatisation of Ekostahl.

However, a Treuhand official said that it was still not clear "how serious" Thyssen and Preussag were in saving Ekostahl from closure in the long term.

The official added that the latest plan was "more concrete" than those presented during the summer, which had primarily focused on offering management expertise.

Ekostahl's annual production has already been reduced from 2.5m tons to 900,000 tons.

The labour force has been cut from 12,000 to 3,500 full-time employees.

However, the Treuhand said that negotiations with Riva were progressing and the Italian group was interested in acquiring a majority stake, as well as turning Ekostahl into a competitive mini-mill.

Olivetti targets mobile telecoms market

By Haig Simonian in Ivrea

OLIVETTI, the Italian computer group due to report first-half results next week, hopes to break into Italy's buoyant mobile telecommunications market. The Italian market is Europe's second biggest after the UK, with more than 900,000 subscribers.

Mr Corrado Passera, joint managing director, asked the government to respect a European Community deadline to name a second operator for the GSM network by early 1993.

Olivetti is one of three consortia bidding for the licence. Although rivals include Fiat and Pacific Telesis of the US, Mr Passera said he thought Olivetti was best placed to win. "Information technology and communications are drawing steadily closer. Giving us the licence would help lift Olivetti into the first tier of companies combining computers and telecommunications," he said.

Mr Passera said Olivetti already had a nationwide sales and service network, so any additional investment for cellular communications would be "reasonable". He would not predict what impact winning the licence might have on profits, but said Olivetti's combination of information technology and communications would expand the Italian market.

Olivetti, which made a L649.9bn ($423m) net loss last year, is expected to announce a further heavy loss for the first half of this year when it reports next Friday.

However, while this year's first-half loss may be appreciably higher than the L93.4bn lost in first six months of 1992, analysts believe the results will show the group has contained the severe earnings slump suffered during the second half of last year.

Group sales are expected to rise by more than 5 per cent. Although the value of sales outside Italy will be inflated by the lower lira, analysts believe the depreciation has pushed up costs owing to higher component prices. Forecasts for the full-year results predict a net loss of more than L400bn, prior to breaking even in 1994.

Union Minière profits fall 46%

By Andrew Hill

UNION Minière, the Belgian metals group, yesterday forecast a difficult second half after announcing a 46 per cent fall in operating profits for the first six months of 1993.

Consolidated operating profits fell to BFr478m ($14m) from BFr894m for the six-month period, but the group said it was pleased to have recorded a positive result in spite of "an extremely unfavourable economic environment".

The company attributed its resilience to costly rationalisation measures taken over the last two years, but a spokesman warned that operating results in the second half would be even worse than in the first six months.

The group managed to reduce its share of losses after tax to BFr860m, compared with a loss of BFr1.39bn in the first half of last year, when the results were dragged down by extraordinary restructuring charges of BFr1.49bn.

In the first half of 1993, the extraordinary loss was BFr243m, including the BFr176m cost of nearly 600 redundancies. The same number of jobs is likely to be cut from the company's 13,400 workforce in the second half.

Société Générale de Belgique, Belgium's largest holding company, owns 75 per cent of Union Minière, an investment which represents about 20.5 per cent of the holding company's portfolio.

La Générale said yesterday that it was still seeking an industrial partner for Union Minière to help reduce the holding company's exposure to the cyclical industrial sector.

Saint-Gobain posts sharp downturn

By John Ridding in Paris

SAINT-GOBAIN, the French glass and building materials group, yesterday announced 1993 first-half net profits of FFr452m ($81m), a sharp fall from the FFr1.4bn recorded in the same period last year.

The decline in profits was blamed on "the scale of the economic crisis in Europe", which the company said affected virtually all of its product markets. The company said that all of its principal customers in the building, vehicle and packaging sectors had sharply reduced demand, resulting in weaker volumes and prices.

The downturn was reflected in the sales figures for the half, which declined to FFr35.74bn from FFr38.77bn in the 1992 period.

In spite of the problems in its European markets, the company said there were some bright spots in the first-half performance.

The US and Latin American markets benefited from stronger general economic conditions, which Saint-Gobain described as "encouraging".

All of the company's divisions suffered a fall in profits with the exception of building materials, which receives about 90 per cent of its sales in the US. Glass operations suffered from the sharp contraction in the European car market, while the fibres division suffered from a fall in prices.

At the end of the first half, the group's net debt stood at FFr18.1bn, about the same level as the beginning of the year, and about FFr2.2bn less than at the end of June 1992.

Snia BPD increases sales by 7.6% at halfway stage

By Haig Simonian

SNIA BPD, the quoted chemicals, fibres and industrial company controlled by Italy's Fiat group, raised consolidated sales by 7.6 per cent to L1,146bn ($746m) in the first half of this year.

Group earnings before tax and minority interests recovered strongly to L12bn, against a L14bn loss in the corresponding period last year.

The improvement was prompted partly by a sharp fall in group debts, which were reduced to L380bn from L767bn at the end of last year. The cut in borrowings came largely from the sale of Snia BPD's space and rocket technology business, which raised L260bn, and the disposal of some bio-engineering businesses for more than L137bn.

The company warned that earnings would remain overshadowed by the recession, but said the restructuring and sale of some businesses left it better placed to benefit from any signs of recovery.

● Italmobiliare, the holding company which controls Italcementi, one of the world's biggest cement groups, is planning capital increases which should raise about L260bn.

The highly complex deal involves a rights issue of new ordinary and savings shares combined with warrants to buy new equity, and a bond issue convertible into new non-voting savings stock.

Dixons shares leap with sale of US stores chain

By Neil Buckley in London

SHARES in Dixons, the UK's largest electrical retailer, leapt 27p to 260p yesterday as the company announced it was selling its loss-making US chain Silo to Fretter, another US electrical retailer.

The City welcomed the move as the ideal solution for Dixons to the growing problems at Silo, which lost £22.4m ($34.7m) in the year to May 1 and cost it £36.2m in closure costs. One analyst called it a "tremendous deal. Pretty faultless".

The sale will result in a charge of £19.8m against Dixons' half-year profits to cover current-year US trading losses and an exceptional loss on disposal. A second charge of £191.1m, relating to goodwill previously written off to reserves, is a procedure required by new accounting standards and has no impact on shareholders' funds.

The 185-store Silo chain is being sold to Fretter in return for a 30 per cent stake in the enlarged Fretter group, $30m of 5 per cent convertible preferred stock, and $15m of 6 per cent preferred stock. Fretter will change its name to YES! Your Electronics Superstore.

The investment will be accounted for by Dixons as a related company. The 5 per cent preferred stock could be converted at any time into ordinary shares, giving Dixons a potential stake of 49 per cent.

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INTERNATIONAL COMPANIES AND FINANCE

Court deals blow to Japanese shareholders

By Robert Thomson in Tokyo

JAPAN'S shareholders' rights movement suffered a setback yesterday when the Tokyo District Court ruled that the directors of Nomura Securities were not required to reimburse the securities house for losses incurred in compensating favoured corporate clients for stock investment losses.

The ruling, which comes amid a growing debate on shareholders' rights, followed an unusual damages claim by an individual investor, Mr Yoshinori Ikenaka of Osaka, who wanted the 14 directors to pay Nomura Y100m ($943,300) for approving Y362m in compensation to Tokyo Broadcasting System (TBS) for stock losses in 1990.

Japanese courts are generally reluctant to set clear precedents, though the decision yesterday was welcomed by Japanese firms fearing a rush of new litigation after changes to the Commercial Code in June eased filing requirements for shareholder litigants.

In the case of Nomura, Japan's biggest securities house, Judge Yoshihiro Katayama ruled that the former board did not necessarily act against shareholder interests in compensating TBS for its losses, as the board had wanted to secure the broker's long-term relationship with the broadcasting company.

Judge Katayama said the decision to compensate did not involve a breach of the directors' powers of discretion when the circumstances of the period, in particular the market crash, were taken into account. He said shareholders had profited from business with TBS after it was compensated.

However, the judge said loss compensation by Japanese brokers, common after the crash, should be criticised as it undermined public confidence in the fairness of securities markets and was an apparent violation of the anti-monopoly law.

Nomura said the court's decision reflected judicial awareness of the importance of long-term links between Japanese companies, though the broker suggested that shareholders' rights will not be hindered by the ruling.

Japanese brokers have generally supported the campaign for improved shareholders' rights, believing that investor confidence in the stock market has been damaged by a series of broker scandals, including loss compensation and links to gangster groups.

Earlier this month, the Japanese Supreme Court ruled that six former executives of Mitsui Mining must pay Y100m in compensation to the company for manipulating its share price. After that decision, Japanese lawyers said the case appeared to be an exception.

They said the stock manipulation was blatant in the Mitsui Mining case and the ruling would not necessarily influence other actions based on allegations that directors had been incompetent or negligent.

● The Tokyo Stock Exchange has imposed fines of Y5m each on three Japanese securities houses, Daiwa Securities, Yamaichi Securities and Universal Securities, Reuter reports. The exchange said it had fined Daiwa for its compensation of a client in May-July 1991. Daiwa made up for the client's investment losses worth Y120m.

Earlier this year Yamaichi and Universal ran into trouble in connection with the illegal manipulation of shares.

Treading a road to strong profits

UBS's London operation believes it is on track, says Tracy Corrigan

SINCE Union Bank of Switzerland, Switzerland's largest bank, bought Phillips & Drew back in 1985, the road to strong returns for UBS's London operations has been a long one. But in the first half of this year, London contributed more than 20 per cent of UBS's 89 per cent surge in profits for the first half of 1993.

Clearly, market conditions helped. "Brisk activity on the major securities markets, with dramatic rallies in some cases, as well as volatile fluctuations in various foreign exchange rates and lower money market rates, led to record profits," said UBS's own results report.

But Mr Rudi Müller, chairman and chief executive of UBS Limited, the London operation, insists that market conditions are only one factor. "Our build-up has thoroughly paid off and we are going to be an increasingly important financial institution," he says.

UBS's progress can be measured in both financial and league table terms. The contribution of foreign operations, of which London is the largest component, was 5 per cent 10 years ago, 20 per cent last year and 40 per cent so far this year. With domestic banking under pressure, the growing contribution of institutional banking operations outside Switzerland "has come at the right time", says Mr Müller.

In debt underwriting, UBS ranked sixth in the first six months of this year, according to IFR Securities Data. Even more impressive, UBS ranked second in Acquisitions Monthly's league table of advisers on European cross-border acquisitions completed in the year to June. However, its ranking in the syndicated loans market has slipped to 12th, according to IFR.

Rudi Müller: 'We are going to be increasingly important'

"In looking at our results in the last two years, a lot of money has come from traditional products, such as equities and gilts," says Mr Müller. He says that equities have been consistently profitable since 1991. However, this year it is the merged debt/treasury operation which has been the "star performer. This has been the big break-through".

In retrospect, Mr Müller admits that mistakes were made on the way. "It's a bit delicate. If we were today to take over an organisation like P&D, we would most certainly take over the management straight away."

Back in 1985, when the bank already had two London operations, UBS Securities and a bank branch, the decision was taken to "let the three units [including P&D] run in parallel for a few years, to see how things would develop after Big Bang."

As it turned out, the changes brought about by the Big Bang were more dramatic than had been foreseen. "The business changed so fundamentally that P&D got into some difficulty with back office administration. They were not able to cope with the new environment."

Then came 1987, a bad year for many financial institutions but a black time for UBS, which, on top of the stock market crash, was caught up in financial scandal over the Blue Arrow rights issue. "It cost a lot of money and took a lot of time," says Mr Müller. At the end of that year, he was given the task of reining in the three businesses, scattered among 11 locations around London, and of bringing the administrative side of P&D under control.

Finally, early in 1989, UBS Phillips and Drew was formed, and the firm moved into Broadgate, the modern City office complex. "Moving all the units together created the cornerstone of success," he says.

While the London operation may have come right in the end, other foreign bankers in London find it hard to be benevolent, well aware that they would never have been given the same leeway as Mr Müller by their parent bank, and some remain sceptical.

While UBS as a whole exceeded its 10 per cent target for return on equity in the first half, they suggest that London's strong performance would have to persist for some time for UBS to recoup its investment in the business.

Mr Müller, for his part, acknowledges the support of head office. "Without total support from Zurich we would never have been able to do it," he says. UBS bought in top professionals from prominent London firms. In addition, a "totally different" top management team was put in place.

"It needed a change: I felt that to be able to go through a fundamental reorganisation we needed new expertise," he says.

This has sometimes created the impression that the doors at UBS are constantly revolving. "They have hired some good people, but they have lost some extremely good people too," says one former staffer.

Are the improved profits from UBS's London operations the result of markets or management? The answer, from analysts and insiders, appears to be that it is a bit of both.

"They had to do a lot of changing around and a lot of spending, but that is telling now," says Mr Ian Poulter, a banking analyst at Yamaichi International. But he adds that he wants to see whether these sort of results can be maintained.

"Historically, UBS has a habit of doing very well in good markets, and of not turning around fast enough in bad markets," said one former UBS banker.

Mr Müller admits that the bank may have entered some markets, such as derivatives, rather late.

"We Swiss bankers have some advantages and some disadvantages," he explains. One advantage, clearly, is staying power.

Anglovaal lifts dividend by 5%

By Philip Gawith in Johannesburg

ANGLOVAAL, the South African mining and industrial group, reported improved profits for the year ended June, and is increasing its dividend to 105 cents a share from 100 cents.

Net earnings rose by 6 per cent to R293.1m ($86.2m), due mostly to a strong performance from the industrial operations. The group forecast a further improvement in profits this year.

Anglovaal is one of South Africa's six big mining houses, but 69 per cent of earnings last year came from industrial operations - Anglovaal Industries - where the performance was boosted by lower tax and a full year's contribution from the Anglo-Alpha cement arm.

Income from the group's main direct mining investments - gold, copper and manganese - fell by 20 per cent to R37.9m.

Income from indirect mining investments rose marginally to R34.2m from R29.6m.

Financial earnings were substantially lower - down to R17.9m from R29.8m - as a result of lower cash holdings and falling interest rates.

Earnings were also affected by the troubles at the Crusader Life insurance company. Provisions have been made for potential losses in this area.

Group turnover rose by 4 per cent to R8.5bn but pressure on margins saw operating profit fall by 4 per cent to R719.5m from R747.8m.

The rise in attributable profit was the result of a lower tax bill and an increase in equity accounted earnings.

Fay, Richwhite after-tax profits rise to NZ$53m

By Terry Hall in Wellington

FAY, Richwhite, the New Zealand merchant bank, yesterday reported after-tax profits of NZ$52.7m (US$29.1m) for the year ended June, up from NZ$24.3m a year earlier.

Pre-tax profits were little changed at NZ$14m. The net result includes a NZ$40.7m profit on the sale of shares in Bank of New Zealand, while the 1991-92 result took in a NZ$10.1m credit from equity earnings against zero this time.

Mr David Richwhite, joint chief executive, said the merchant banking operations earned NZ$17m in the year, up from NZ$12m.

Non-recurring costs were NZ$5.1m relating to the holding costs of the Bank of New Zealand shares. Mr Richwhite said that total income from the banking division was NZ$77m. Income from the New Zealand division was in line with budget but Australian profits fell.

He said that the company expected to report an improved result in the current year from its merchant banking operations. Total group assets were NZ$286.6m at end-June.

Irregular forex deals hit Nippon Steel unit

By Robert Thomson

NIPPON Steel Chemical, a chemicals subsidiary of Nippon Steel, the world's largest steel maker, yesterday forecast a pre-tax loss of Y12bn ($113.2m) for the year ending March, following foreign exchange losses on unauthorised trading by an accounting division chief.

The company had previously forecast a loss of Y3.8bn, but the continued slowing of domestic industrial demand for resins and composite materials has added to damage caused by the foreign exchange losses, estimated at Y14.2bn.

These losses arose from irregular deals by the head of the company's forex division, who died in a train accident in May.

He had invested Y47.3bn in forward contracts, apparently breaching a company rule that currency investments of more than Y100m require board approval.

Nippon Steel Chemical intends to cover the foreign exchange losses through the sale of securities and land holdings, but it also plans to transfer 200 head office staff to subsidiaries in an attempt to reduce costs.

The company will not pay an interim dividend.

Sales for the year are expected to be Y270bn, down from the previous estimate of Y290bn, and from last year's Y281.8bn, when the company had a pre-tax loss of Y7.2bn and a net loss of Y6.3bn.

For the first half to September, Nippon Steel Chemical forecast sales of Y130bn, down from Y138bn, and a pre-tax loss of Y8bn, widening from Y3.5bn. In the same period last year, the company lost Y988m.

Mandarin Oriental slightly ahead

By Simon Davies in Hong Kong

MANDARIN Oriental, the Jardine Matheson group's Hong Kong-based luxury hotel company, yesterday announced a 2 per cent increase in profit attributable to shareholders of US$19.6m for the six months ended June, up from US$19.2m a year earlier.

The results were below expectations, primarily due to the further decline in earnings from the 45 per cent owned Oriental hotel in Bangkok, and a weak performance from the group's hotel interests in Macau, where there has been a substantial increase in the supply of luxury hotel rooms over the past year.

Group turnover increased 7.7 per cent to US$78.1m at the interim stage, and operating profit recorded a 16 per cent increase, due to improved performances from the two wholly-owned properties in Hong Kong - the Mandarin and the Excelsior - and from its hotel in Manila.

Mr Simon Keswick, chairman, said: "In the first half of the year, the group's strong performance in Hong Kong was largely offset by weakness in most of our other markets. If the same trend continues, the results for the full year are expected to remain little changed [from 1992]."

The interim dividend is being held at US$1.41 a share.

INTERNATIONAL COMPANIES AND FINANCE

Turner seeks deal with French over TV station

By Raymond Snoddy in Atlanta

MR TED TURNER, chairman of Turner Broadcasting System, said yesterday he was seeking a compromise with France in a row over US programme content of his new satellite television channel.

France has blocked reception of the TNT/cartoon channel, launched in Europe today, on domestic cable networks.

The channel, carried on the Astra satellite system, runs cartoons from 6am to 6pm and mainly old films from the MGM library during the rest of the day.

French opposition to the channel is based on EC rules which say that where practicable there should be a minimum of 51 per cent European production in satellite television channels.

The French government would also like to see trade in cultural products raised in the Gatt trade talks.

Mr Turner said yesterday: "The French have their own way of doing things and they are entitled to do it."

The founder of Cable News Network, the 24-hours-a-day television news service, added: "We are trying to be good guys and to sit down and try to see if some kind of compromise can be reached."

Mr Turner has called for a study of European content in the TNT film channel and found that a number of the library films were shot in the UK. Other films have involved European co-producers. Mr Turner said yesterday he estimated that as much as 30 per cent of TNT was either made in Europe or had European co-production links.

The TNT/cartoon channel, which is freely available across Europe to those with satellite television equipment, has already been given a licence by the Independent Television Commission in the UK.

Under EC regulations, if a television channel is licensed in any EC country that usually means it should be freely available throughout the Community.

Mr Turner said that the economics of running a pan-European satellite channel meant that it had to be based largely on library material in the early lossmaking years. At a later stage he envisaged a rising proportion of original productions.

Magna advances but warns of pressure

By Robert Gibbens in Montreal

MAGNA International, Canada's biggest independent car parts maker, reported a 26 per cent gain in fourth-quarter profits but warned that margins are being affected by customer pricing pressures.

Net profit for the three months to July 31 was C$39.6m ($30m), or 70 cents a share, up from C$31.3m, or 61 cents, a year earlier. Sales were C$649m against C$625m.

Earnings for fiscal 1993 were C$140.4m, or C$2.55, up 43 per cent from C$98m, or C$2.08, on sales of C$2.6bn against C$2.35bn.

● Univa, Canada's second biggest food distributor had higher profits for the second quarter and half-year before special items, helped by gains in efficiency and a 1992 acquisition.

But the northern California subsidiary continued to lose.

For the three months ended August 14 net profit was C$11.5m, or 11 cents a share, against C$3.8m, or 3 cents, a year earlier on sales of C$1.9bn, against C$2.1bn. The volume decline was due to an asset sale. After special items profit equalled 11 cents a share against 21 cents.

First-half profit after special items was C$15m, or 13 cents, against C$24.5m, or 26 cents. Sales were C$3.3bn against C$3.6bn.

Falling bond market brings party-time for lenders

US mortgage borrowers are taking advantage of interest rates at historic lows, writes Richard Waters

THE US financial industry is bracing itself for a record-breaking wave of refinancings by mortgage borrowers, prompted by falling long-term interest rates. The result: a boom for companies that generate new mortgage loans, but bad news for those that service them and for the many investors in mortgage-backed bonds who are seeing their investment returns reduced.

The bull market in bonds that has driven domestic mortgage rates down to historic lows, along with other long-term interest rates, has prompted previous waves of mortgage refinancings in the past two years, but none as big as the one that is now washing over the financial sector. As mortgage rates fall, many borrowers pay off their old fixed-rate loans by taking out new, lower-interest ones. Around four-fifths of the $3,000bn of home mortgage loans in the US are on fixed rates.

The surge in mortgage prepayments is reflected in the refinancing index constructed by the Mortgage Bankers Association. This leapt to two peaks in 1992 and a third in March of this year, as investors reacted to sharp falls in long-term rates. Its latest jump, as the yield on the 30-Treasury bond has fallen below 6 per cent, is the biggest yet. The index (at 100 in March 1990) climbed above 1500 for the first time at the beginning of this month, reaching 1731 in the latest figure released yesterday. Last year, $450bn of mortgage loans were refinanced. This year, the figure is set to top $500bn.

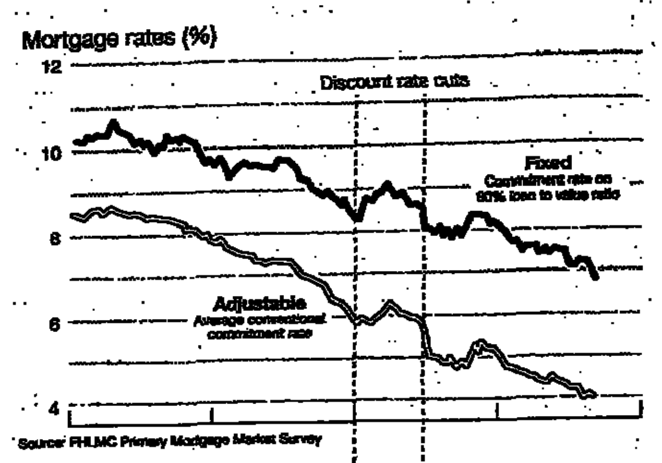
Only homeowners unlucky enough to have been left with properties worth less than their loans (an experience generally confined to California and the north-east) have been unable to join in the party.

New mortgages mean new fees for lenders. Most charge a fee of 1.25 to 1.5 per cent when making a loan, whether it is taken out to repay an old loan or to buy a house. Fee income at Countrywide Credit Industries, the US's biggest home mortgage company, leapt from $38m to $92m in 1992.

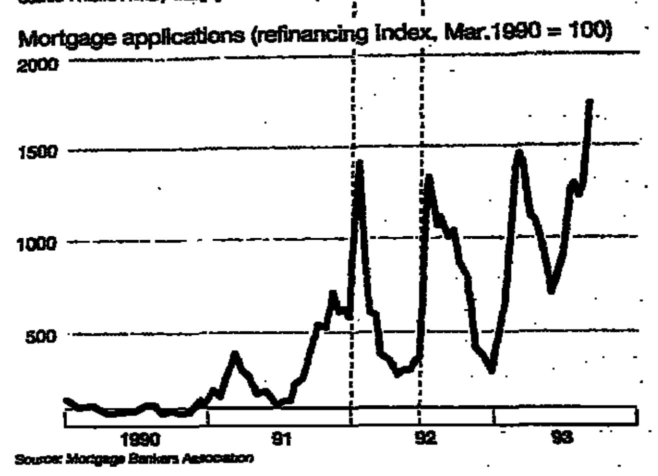
However, falling mortgage interest rates have also hit the results of some banks. Most recycle their mortgages as mortgage-backed bonds, and retain an involvement only in servicing the loans – for a fee. That gives servicing rights a value, and has led to a market in which some banks have become big buyers of the rights to service portfolios of mortgages. If those mortgages are repaid early, the value of the portfolio falls.

This cost Citibank $255m last year. "When it hit, it hit hard and unexpectedly," said Mr Pei-Yuan Chia, senior vice-president in charge of Citibank's consumer banking business. "All the mortgage banks are looking at [the implications of refinancings] at the moment," he says.

The cost to the banks this year may turn out to be lower than in 1992. Citi, for one, says it now hedges against impairments to its mortgage portfolio in the Treasury bond market: if rates fall and refinancings rise, the costs are balanced by profits on the bond holdings.



Source: FHLMC Primary Mortgage Market Survey



Source: Mortgage Bankers Association

The refinancing boom has also been bad news for investors who hold the near-$1,500bn of mortgage-backed bonds in issue. Most new mortgages are not held on bank's balance sheets: they are eventually repackaged and sold to investors. Since many of these bonds are recycled through Fannie Mae and carry a federal guarantee, they are relatively free from credit risk.

Prepayment risk is something else. As interest rates fall and the loans backing the bonds are repaid, investors are left to reinvest their capital in bonds at much lower yields. As a result, mortgage-backed bonds under-perform other fixed-income securities during a bond market rally.

That has been especially true in recent weeks as investors have reassessed the prepayment risk. "The market has gone through a pretty enormous revaluation in the last month," says Mr Christopher Flanagan, director of mortgage-backed research at Merrill Lynch. Current-coupon mortgage-backed bonds (those which pay an annual return close to current bond market yields) now yield around 100 basis points (one percentage point) more than comparable US Treasury bonds, up from less than 80 basis points in the middle of August.

The picture is even worse for bonds issued before the latest rally, which pay higher coupons and are the most in danger of being repaid early. "Price spreads have collapsed in the last two or three weeks," Mr Flanagan says. Worst hit of all have been interest-only "strips" – the future income streams on mortgage-backed bonds which are detached and sold separately. As the mortgages are repaid, these future income payments simply vanish.

The readjustment in the bond market is partly due to the faster pace of refinancings, which are running at a far higher level than in 1986 and early 1987, when mortgage rates last fell sharply. Mr Mark Obrinsky, senior economist at Fannie Mae, says the rate has picked up in part because most lenders are now prepared to roll their refinancing fees into the balance of the new loans. Also, he says, "it's like going to the dentist": the many borrowers who have refinanced once already in recent years have less resistance to doing it again.

The fact that it now takes a smaller fall in interest rates to produce a larger volume of refinancing has blown a hole in the financial models used by traders of strips and other derivative-type instruments. The pricing and hedging strategies based on outdated assumptions about refinancing rates have not held up well in the current boom.

While it is hurting bondholders, the latest refinancing wave could help to lift the average homeowner's disposable income – and, by implication, the sluggish US economy. By locking into lower interest rates on $500bn or more of their household debt, Americans are freeing themselves to spend more in the shops.

The benefits will not all flow through at once, though. Many homeowners are taking advantage of lower interest rates to shorten the length of their debt. According to Fannie Mae, two out of every five people who refinanced a 30-year mortgage in the first half of this year chose to replace it with a 15-year one instead. As a result, their monthly interest payments may actually have risen, not fallen.

Interactive cable-TV music channel planned

By Martin Dickson in New York

TELE-COMMUNICATIONS Inc, the largest cable television systems operator in the US, and Germany's Bertelsmann music and entertainment group yesterday announced plans for a new interactive cable channel which will allow viewers to choose the pop videos they want to watch, as well as buying music-related products from home.

The new channel, claimed to be the first of its kind, is an early example of the kind of service which US media companies hope will lead to a boom in inter-active, multi-media entertainment in the home.

The two companies are forming a 50-50 joint venture to develop the channel, which they hope to roll out across the US over the next 12 months.

Bertelsmann is one of the world's leading record companies, with labels which include Arista Records and RCA Records. However, it said yesterday it hoped that the channel would also involve labels owned by other record companies. The channel will be offered to leading US cable operators in addition to TCI.

Bertelsmann said the channel would be supported by advertising and would include home shopping.

Some of the most successful US cable television channels focus on pop music. They include MTV, which mainly broadcasts pop videos and is rapidly spreading around the globe, and Country Music Television, which concentrates on country music videos and is one of the fastest-growing channels in America. However, the existing channels are not inter-active.

Mr Fred Vierra, head of worldwide programming for TCI, said the new network marked "the beginning of music made popular by consumer choice".

The involvement of Bertelsmann, he added, would give an "in-depth knowledge of the world's music markets and the ability to exploit global opportunities in advertising and merchandising".

General Dynamics to make $372m distribution

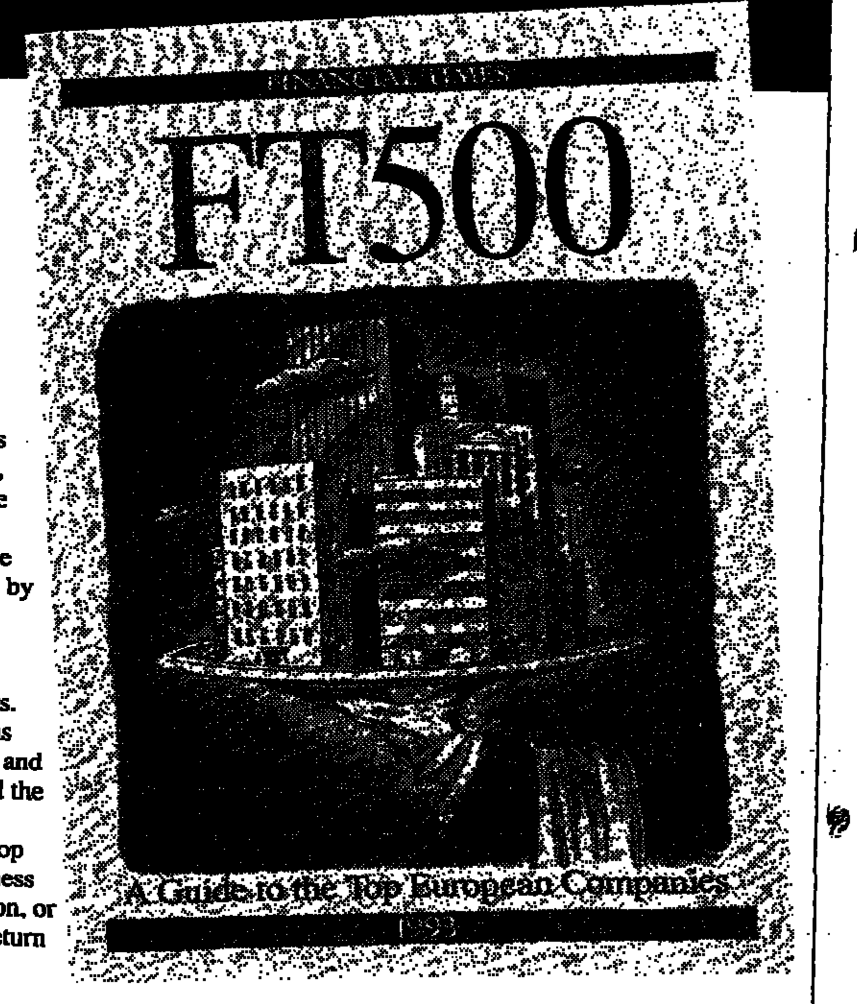
By Martin Dickson

GENERAL Dynamics, the US defence contractor which has been shrinking through the sale of large parts of its business, announced plans to distribute $372m, or $12 a share, of the disposal proceeds to its shareholders – the third such cash disbursement this year.

General Dynamics said that the total represented substantially all of the cash available for tax-advantaged distribution from sales of businesses to date. The company paid out $20 a share in April and $18 a share in July.

The latest distribution will be made on October 12 to shareholders of record on September 28.

The company also increased its quarterly dividend by 50 per cent to 60 cents a share, reflecting the board's confidence in the stability of its strong cash flows.



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INTERNATIONAL CAPITAL MARKETS

Gilts upset by short squeeze in futures market

By Conner Middelmann in London and Patrick Harverson in New York

UK GILTS dropped nearly a point but recovered to end slightly higher, due to a short squeeze in the futures market.

However, traders reported little buying on the lows, with international investors

GOVERNMENT BONDS

deterred by sterling weakness and sentiment subdued by the inflation spectre. Gilts are still "trading on far too optimistic an outlook on inflation," said Mr Nigel Richardson, head of international bond research at Yamaichi, who sees further downside for gilts.

Expectations of an auction announcement by the Bank of England today also dampened interest in the cash market. Opinion remains split on the likely maturity of the issue, with some traders betting on 2004 but others calling for ultra-long dated debt.

■ FRENCH government bonds ended the day mixed, with 10-year bonds slightly higher but 30-year bonds lower.

Traders remain frustrated by the uncertain outlook for French interest-rate easing and were little surprised by the Bank of France's decision to leave its 6.75 per cent repo rate unchanged at yesterday's open-market operation.

The key event today will be the release of gross domestic product data, which are expected to show a 0.2 per cent decline in the second quarter.

■ DANISH government bonds eased about ¼ point despite the central bank's latest rate cuts. The Bank of Denmark cut its key deposit rates to 8.75 per cent from 9.25 per cent and its two-week repo rate to 9.5 per cent from 10 per cent. While the Danish krone firmed on the news, 10-year bonds dropped by more than ½ point before recouping some of their losses.

According to Mr Richard Gillhooly, international economist with Kidder Peabody, liquidity pressures prevented the rate cuts from feeding into money market rates, which remain above 10 per cent. This means that it is expensive for traders to finance bond positions.

Traders reported a large seller of 10-year bonds in London, which further depressed prices.

■ GERMAN bonds were less volatile but outperformed most other markets, with the bund contract ending ¼ point higher on a late squeeze in the futures pits. Sentiment was also boosted by the Bundesbank's latest monthly report. While the central bank reaffirmed its cautious easing stance, it said money supply growth was set to slow. Analysts also welcomed its statement that western German inflation rose by 2.5 per cent on a three-month annualised basis.

■ JAPANESE government bonds eased again, mainly over disappointment that the government's latest fiscal package was not accompanied by a cut in the 2.5 per cent official discount rate. Analysts expect the Bank of Japan to monitor the currency's reaction to the package for a while before easing, but most expect the cut to be imminent.

■ US Treasuries continued to trade in a volatile fashion yesterday morning, posting modest early gains at the long end of the market before a rush of selling at noon pushed prices into negative territory.

By midday the benchmark 30-year government bond was down 3/32 at 103 15/32, yielding 5.992 per cent.

At the short end of the market, the two-year note was unchanged at 100 1/16, to yield 3.841 per cent.

The day's economic news – slow August industrial production growth, a small increase in weekly jobless claims and a narrowing in the trade deficit – was mostly bullish for bonds, but given the market's uncertain, nervous mood, the data had little impact on prices.

Prices opened firmer, buoyed by Wednesday's late rally which all but wiped out the day's early heavy losses. Yet yesterday the initial upward momentum could not be sustained, and prices see-sawed erratically just after midday in the slipstream of trading on the futures market.

Because of the Jewish new year holiday, trading was relatively thin, which only exacerbated the market's volatility.

FT FIXED INTEREST INDICES

	Sep 16	Sep 15	Sep 14	Sep 13	Sep 10	Year ago	High*	Low*
Govt Secs (UK)	101.33	101.46	102.34	102.86	102.64	89.22	102.86	93.28
Fixed Interest	123.92	124.05	124.53	124.90	124.94	104.88	125.20	108.57

Basis 100: Government Securities 15/10/26; Fixed Interest 1928. * for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75) Fixed Interest high since compilation: 125.20 (15/9/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Sep 15	Sep 14	Sep 13	Sep 10	Sep 9
Gilt Edged Bargains	200.5	132.4	93.7	88.8	129.9
5-Day average	139.1	116.0	107.6	107.1	115.3

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	119.9605	-0.246	6.71	6.69	6.81
BELGIUM		9.000	03/03	112.3900	+0.150	7.16	7.20	7.11
CANADA *		7.500	12/03	104.1000	+0.215	6.93	6.70	6.97
DENMARK		8.000	05/03	107.6000	-0.150	6.89	6.82	6.76
FRANCE	BTAN	5.750	11/98	100.1814	+0.044	5.70	5.63	5.64
	OAT	6.750	10/03	103.6600	-0.120	6.21	6.14	6.33
GERMANY		6.500	07/03	102.5550	-0.055	6.14	6.15	6.31
ITALY		10.000	08/03	105.4750	-0.500	9.67†	9.64	10.05
JAPAN	No 119	4.800	06/99	105.6778	-0.140	3.57	3.52	3.76
	No 157	4.500	06/03	103.0400	-0.544	4.07	4.00	4.16
NETHERLANDS		7.000	02/03	106.7300	-0.060	6.03	6.04	6.21
SPAIN		10.300	06/02	108.9000	-0.150	9.31	9.05	9.47
UK GILTS		7.250	03/98	103-05	-	6.44	6.30	6.26
		8.000	06/03	105-20	-1/32	7.04	6.81	6.82
		9.000	10/08	114-26	-1/32	7.36	7.15	7.26
US TREASURY *		5.750	08/03	102-19	+13/32	5.41	5.26	5.89
		6.250	08/23	103-00	+16/32	6.03	5.93	6.26
ECU (French Govt)		8.000	04/03	103.2900	+0.220	6.65	6.59	6.83

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents). Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Singapore presses on with Japanese bond futures

By Emiko Terazono in Tokyo and Tracy Corrigan in London

THE Singapore International Monetary Exchange is to go ahead with plans to launch a Japanese government bond futures contract, in spite of objections by the Tokyo stock exchange.

Mr Ang Swee Tian, president of Simex, said the decision to list the contract – from October 1 – was in response to demand from international market participants, particularly the US-based Managed Futures Association.

"We also explained to the TSE officials that we believed the development of a Simex JGB contract would generate increased interest in [the JGB market] among global users," many of whom already trade Simex's short-term Eurodollar and Euroyen interest rate contracts, said Mr Ang.

He added that the inter-market trading opportunities would be "mutually beneficial" to the two exchanges.

However, Mr Minoru Nagaoka, president of the TSE, strongly criticised Simex for not consulting with the exchange before the plan's announcement.

The move by Simex will harm the supply and demand situation as well as the market mechanism on the TSE, he said.

The Simex contract is identical to that of the TSE, with a 6 per cent coupon and a 10-year maturity.

The row is expected to worsen the relationship between the two exchanges, which has already been soured by the success of Simex's Nikkei futures contract, based on the Nikkei 225 stock index of the TSE.

The TSE has blamed stock futures and options trading for the volatility of Japanese shares, and has been unhappy over Simex's refusal to implement market restrictions.

Trading of Nikkei futures on Simex has soared while the Osaka stock exchange, which lists Nikkei 225 stock futures, has tried to curb trading by increasing regulations.

Argentina set to continue Latin American sequence

By Antonia Sharpe in London and John Barham in Buenos Aires

THE international bond market had a Latin American flavour yesterday as Venezuela

INTERNATIONAL BONDS

launched its well-flagged, D-Mark Eurobond offering and Banobras, the Mexican government agency for financing economic development, tapped the dollar sector.

The Republic of Argentina is also due to tap the D-Mark sector. Mr Daniel Marx, the finance under-secretary, said that Argentina will launch a five-year Eurobond to raise between DM750m and DM1bn before the end of the year. CSFB and Deutsche Bank have been awarded the mandate.

Mr Marx said the new placement was aimed at "diversifying the investor base by increasing sales in Europe and Germany in particular". He added that the D-Mark bonds will refinance Eurobond debt maturing this year.

The forthcoming offering will bring the government's bond sales to more than $1bn this year. It follows two dollar-denominated Eurobond offerings in April and July which raised a total of $500m. A third batch of dollar debt will be issued in coming months, Mr Marx said.

Investors looking for high-yielding paper flocked to the Republic of Venezuela's DM300m seven-year Eurobond offering. Demand was such that the bonds' yield spread over underlying bunds narrowed to 260 basis points in the afternoon from a break-even spread for co-managers of 290 basis points.

Lead manager WestLB said that retail clients in Germany and Switzerland were particularly strong buyers of the bonds.

In the light of Venezuela's offering, the spread of 210 basis points over underlying US Treasuries on the $100m five-year offering from Banobras was not very tempting. The bonds were re-offered at 99.97 and they were not freed to trade by the close of business.

The pricing of Banobras's bonds reflects the Mexican government's desire to tighten the spread on its Eurobonds. However, investor focus has moved away from Mexican offerings as other Latin American borrowers become more active in the international bond market.

Corporacion Andina De Fomento, the Latin American supranational agency which finances trade and infrastructure, is expected to launch a $100m five-year Eurobond offering, via CSFB, early next week.

Elsewhere, the flow of Ecu-denominated Eurobonds continued as DNIB, the Dutch redevelopment bank majority-owned by the government, raised Ecu150m through an issue of five-year Eurobonds.

Lead manager Nomura said the DNIB issue was designed to tap the remaining pockets of demand, particularly in Switzerland, for current-coupon bonds in the Ecu sector. The bonds were re-offered at 99.47 and were not freed to trade by the end of the afternoon.

As with the other recent issues, the bonds yielded less than the French government's Ecu paper. This reflects the fact that there has been a shortage of new Ecu-denominated issues.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
NIG Bank‡	100	(a)	99.87SR	Oct.2005	0.50R	-	Merrill Lynch Intl.
Banobras	100	6.875#	99.97R	Oct.1998	0.75R	+210(W 5yr)	CSFB
D-MARKS							
Republic of Venezuela	300	8.75	101.40	Oct.2000	2.25(b)	-	Westdeutsche Landesbank
FRENCH FRANCS							
Südwestdeutsche LB Cap.Mkts.	1bn	5.75	99.303R	Oct.1998	0.25R	+20 (5¼%-98)	Merrill Lynch Cap.Mkts.
YEN							
Euromoil(c)	5bn	4.20	100.27R	Feb.1999	0.35R	-	Sakura Finance Intl.
Mitsui & Co.(e,d)	5bn	(e)	100.35R	Jan.1999	0.25R	-	Bank of Tokyo Cap. Mkts.
Mitsui & Co.(e)‡	5bn	(e)	100.35R	Jan.1999	0.25R	-	Bank of Tokyo Cap. Mkts.
CANADIAN DOLLARS							
ABB International Finance‡	100	(f)	100R	Oct.2003	0.50R	-	Deutsche Bank London
ECUS							
De NIB(g)	150	6	99.47R	Oct.1998	0.25R	-3.4(7¼%-98)	Nomura International
PESETAS							
DSL Bank	10bn	8.75	101.40	Oct.1998	1.625	-	BN Argentaria/Midland

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon pays 6-month Libor - 0.25%; minimum 5%, maximum 8%. b) Plus 0.5% listing fee. c) Short 1st coupon. d) Coupon pays 4% until 6/1/97 and 5.3% thereafter. Callable on 6/1/97 at par. e) Coupon pays 6-month Libor - 0.375%; minimum 4%, maximum 6%. f) Coupon pays 3-month BA's - 0.3%; minimum 6%, maximum 8.85%. g) Spread relates French BTANs.

Closed-end Vietnam fund meets with strong demand

By Antonia Sharpe

DEMAND for a new closed-end fund which invests in Vietnam has exceeded expectations, reflecting the growing international interest in a fast-growing Asian economy.

The Beta Viet Nam Fund has raised $65m through the placing of 1.3m units, well above its target of $50m. Before its launch, the only quoted vehicle for investment in the country was the Vietnam fund. Both funds are listed in Dublin.

Mr Peter Scott, chief executive of Beta Funds, which specialises in investing in emerging markets, said around 20 per cent of the units were bought by Swiss, Scandinavian and Malaysian companies looking for an exploratory investment. The remainder was bought by institutions.

In the event of the US lifting its economic embargo against Vietnam, the fund will be reopened in order to satisfy demand from US investors, Mr Scott said.

US companies are barred from investing directly in Vietnam and can only participate in development projects which are funded by international financial institutions, such as the World Bank or the International Monetary Fund.

The immediate aim of the Beta Viet Nam Fund is to invest in joint ventures that are likely to get a stock market listing in the future. The long-term objective of the fund is to devote its investment to listed companies.

For example, the fund is thought to be involved in a joint venture which will build and operate a new international passenger terminal at Noi Bai Airport in Hanoi.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on September 16

[illegible]

(three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	25	39	14
Other Fixed Interest	0	13	2
Commercial, Industrial	244	307	869
Financial & Property	77	290	456
Oil & Gas	24	12	45
Plantations	1	0	7
Mines	70	15	50
Others	57	38	28
Totals	498	714	1,471

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-
17	Nil	29/9	1½pm	1pm	Albrighton	1pm	
21	Nil	22/9	18pm	11pm	Arlen	17pm	+1
Ir280	Nil	20/10	31pm	27pm	CRH	27pm	
400	Nil	01/10	66pm	52pm	Cadbury Schweppes	57pm	+3
90	Nil	12/10	8½pm	¼pm	Crockfords	¼pm	-⅛
125	Nil	22/9	30pm	17pm	Lilleshall	17pm	-4
225	Nil	28/10	57pm	51pm	Quarto	54pm	+3
130	Nil	25/10	19pm	8pm	Rolls Royce	10½pm	-1
19	Nil	12/10	3pm	¼pm	Usborne	¼pm	
68	Nil	13/10	18pm	7pm	Wickes	14pm	-3

pm Price at a premium. † Price offered to public.
For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings Sept. 13
- Last Dealings Sept. 24
- Last Declarations Dec. 9
- For settlement Dec. 20

3-month call rate indications are shown in Saturday editions.

Calls: Amstrad, BM Grp., BP, Euro Colour, Ferranti, McCarthy & Stone, Mirror Group, Monument Oil, NSM, Proteus, Shandwick, TR Technology. Puts: NSM. Put & Call: Avesco, BM Grp, Monument Oil.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

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FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Thu Sep 16	Day's change %	Wed Sep 15	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	126.62	-0.04	126.67	2.22	7.91
2	5-15 years (23)	154.16	-0.08	154.05	1.68	9.62
3	Over 15 years (9)	173.83	-0.01	173.81	3.74	9.79
4	Irredeemables (6)	203.76	-0.46	204.73	2.86	8.93
5	All stocks (62)	150.02	-0.03	149.98	1.72	8.23
	Index-Linked					
6	Up to 5 years (2)	187.28	-	187.39	0.69	3.41
7	Over 5 years (11)	183.13	-0.03	183.13	0.58	3.51
8	All stocks (13)	182.67	-0.03	182.67	0.59	3.63
9	Debs & Loans (66)	142.51	-0.09	142.64	2.29	7.98

	AVERAGE GROSS REDEMPTION YIELDS		Thu Sep 16	Wed Sep 15	Year ago (approx.)
	British Government				
1	Low	5 years	6.38	6.37	9.42
2	Coupons	15 years	7.22	7.23	8.71
3	(0%-7¾%)	20 years	7.33	7.31	8.81
4	Medium	5 years	6.67	6.65	9.29
5	Coupons	15 years	7.34	7.36	9.13
6	(8%-10¾%)	20 years	7.39	7.38	9.10
7	High	5 years	6.85	6.84	9.36
8	Coupons	15 years	7.57	7.57	9.47
9	(11%-)	20 years	7.42	7.56	9.14
10	Irredeemables (Flat Yield)		7.44	7.41	9.14
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.59	2.58	4.61
12	Inflation rate 5%	Over 5 yrs.	3.21	3.21	4.62
13	Inflation rate 10%	Up to 5yrs.	1.74	1.72	3.99
14	Inflation rate 10%	Over 5 yrs.	3.05	3.02	4.42
15	Debs &	5 years	7.89	7.88	10.88
16	Loans	15 years	8.22	8.22	10.54
17		25 years	8.35	8.32	10.41

Rise for UK as prices hold firm and expansion in Germany

RMC little changed at £61.6m

By Paul Taylor

RMC GROUP, the concrete producer, reported a slight decline in first-half pre-tax profits from £62.1m to £61.6m despite higher operating profits in both the UK, where ready mixed concrete prices firmed, and Germany.

Turnover from continuing operations in the six months to June 30 increased by 11 per cent to £1.56bn (£1.4bn) including £71.7m from acquisitions in Germany. Operating profits were £81.3m (£78.7m) including £5.8m from the acquisitions.

Over the past 2½ years the group has invested between £270m and £280m in its cement operations in eastern Germany. This is reflected in an increase in net interest paid to £23.2m (£18.5m).

The merger of the east and west german operations in April enabled RMC to take advantage of substantial tax reliefs and incentives available in eastern Germany.

Overseas tax fell to £15.1m (£24.2m). The overall charge dropped to £16.3m (£26m), a rate of 26 per cent which was expected to be maintained for at least five years.

Earnings per share, after allowing for higher minorities, increased to 13.4p (12.1p) with about 1p of the gain reflecting currency movements. The interim dividend is maintained at 6.6p per share.

In the UK delivered volumes of ready mixed concrete and aggregates fell further with sand and gravel volumes down by 2 or 3 per cent.

However operating profits increased to £14m (£8.8m) on turnover of £452.1m (£440.9m) reflecting the cost reductions achieved over the last year and improved results from those activities associated with the housing sector.

Tony Andrews

Peter Young, left, and Jim Owen, chairman: building activity continued at a high level for expanded operations in Germany

In addition RMC said small increases of up to 3 per cent in the price of ready mixed concrete in the first half had held.

Overseas Mr Peter Young, group managing director, said construction activity in Germany continued at a high level because of strong demand for housing in the west and an expansion of building work in the east.

Overall operating profits of the expanded German operations increased to £50.4m (£40.5m) on turnover of £654.6m (£503.7m).

However elsewhere in the EC, with the exception of the Netherlands, there was an overall decline in profitability to £12.4m (£23.6m) on turnover which declined to £305.5m (£334.2m). The decline was most marked in France and Spain where volumes fell by 11 per cent and 19 per cent respectively.

Activities in the south eastern US states showed a significant improvement but an associated undertaking in northern California continued to experience difficult trading conditions.

Exceptionally competitive markets reduced profits in Austria and the group's Israeli concrete subsidiary was affected by labour problems. But the Israeli roadstone operations, which are an associated undertaking, boosted profits.

See Lex

US helps Wassall rise 56% to £9.7m

By Roland Rudd

WASSALL, the conglomerate run by former Hanson executives, yesterday announced pre-tax profits up by 56 per cent to £9.74m in the first half of 1993, on increased sales of £133.1m (£117m).

The results were helped by a strong performance from DAP, a US supplier of DIY products, and the closures' business, manufacturing plastic bottle tops, in both the UK and South Africa.

Mr Christopher Miller, chief executive, said: "In the UK, the ingredients for a sustained economic improvement are already in place although full recovery may have to wait for further fall in continental interest rates."

Net cash at the end of the half year was £28m, down £3m on the previous year end reflecting the increased funding requirements in last six months.

Mr Miller said: "We would increase earnings just by spending our cash, but obviously we want to use it on an acquisition which will enhance the company. We are confident we will catch our fish."

Last year the group was thwarted in its attempt to acquire Evode, the chemicals and plastics company, by Laporte, the speciality chemicals company.

Increasing demand for plastic bottle tops was behind closures' 30 per cent profit increase to £5m.

Although volumes from Antler, the suitcase business, were unchanged, prices suffered leading to a fall in profits to £512,000 (£638,000).

Earnings per share rose to 4.2p (3.3p). The interim dividend is increased to 1p (0.76p).

● **COMMENT**

Yesterday marked the fifth anniversary of Wassall. With hindsight 1988 could not have been a worse time to start a conglomerate: the UK economic boom was on the verge of imploding and industrial holding companies were about to go out of fashion. To increase operating profits by 28 per cent to £9.5m demonstrates a resilience in the face of difficult markets. The group's size gives it an advantage over other conglomerates struggling to pull off a big deal. Its £388m market capitalisation - from £1.9m five years ago - is relatively small. That makes it easier to make another acquisition two years after it bought DAP in the US and three years after it acquired metal closures in the UK. With forecast annual pre-tax profits of £27m, the shares - up 8p to 252p - are on a justified prospective multiple of 22.

Commercial realities nibble into UB's global ambitions

By Guy de Jonquières, Consumer Industries Editor

TWO-and-a-half years after a cadre of youthful managers took command at United Biscuits with bold plans to build an international biscuits and snacks empire, harsh commercial realities are starting to define the limits of their global ambitions.

Since 1990 a string of acquisitions in continental Europe and Australasia have substantially widened the geographic spread of the previously UK-centred group and lifted overseas sales to more than half its total turnover.

However, while these additions have so far performed well,contributing more than a third of first-half group operating profit, UB faces an even tougher struggle than it bargained for in solving the problems at Keebler, its troubled US subsidiary.

Indeed, Keebler's stuttering recovering from the ravages of last year's "cookie wars" – despite much top management attention – appears to be trying UB's patience and raising questions about the strength of its long-term commitment to the US market, which provides a third of group sales. At the same time, the position of the group's British biscuits and snacks businesses – on which it has relied to fund much of its foreign expansion – is starting to look less impregnable.

Squeezed by keen price competition and a sharp rise in raw material costs, McVitie's UK operating profits fell nine per cent in the first half, while the KP snacks division achieved only a two per cent increase.

While some of the pain reflects the short-term impact of recession and sterling's devaluation, UB is reconciled to a possibly permanent reduction in its historically high UK margins in order to maintain its dominant market share.

Across the Atlantic, UB is pursuing the reverse strategy. After insisting a year ago that Keebler's immediate priority was to re-build its battered market share, the group now says it aims to slim the US company's business back to a profitable base.

The shift of objective recognises what UB concedes is Keebler's disappointingly slow progress to date. Its sales of branded cookies and crackers fell sharply in the first half, and margins are still far lower than before the cookie war. Though operating profit rose 22 per cent, most of the increase came from Bake-Line, the own-label biscuit maker acquired earlier this year.

But even if Keebler's margins can be re-built, its long-term future looks uncertain.

Sir Robert Clarke, UB's chairman, did not discourage suggestions yesterday that Keebler might be classified along with Ross Young's, the UK frozen food division, as a business which was not central to group strategy and might be sold if the right bid came along.

There is no suggestion yet that bids are being sought for Keebler. However, UB does not disguise the fact that it is now focusing most of its international expansion effort on Asia and continental Europe, where it has yet to acquire a substantial presence in any of the larger countries.

New chief executive for troubled Hartstone

By Peggy Hollinger

HARTSTONE, the troubled hosiery and leather group which is in refinancing talks with its bankers, yesterday announced that it had found a new chief executive to replace Mr Stephen Barker, the founder of the company who left following a series of profits warnings earlier this year.

Mr John Hunter, aged 56, former chairman of SmithKline Beecham Consumer Brands, will take over as chief executive from November. He is also a director of Wace Group, Blue Circle Industries and David Lloyd Leisure.

Mr Hunter, who retired from SKB some nine months ago, said he had accepted Hartstone "because I like a challenge ... and there are opportunities as well as challenges in this business." He was granted options yesterday and said he intended to buy shares in the market.

Mr Shaun Dowling, who has been conducting the refinancing talks and running the group as executive chairman since May, said yesterday the appointment marked a "red letter day for Hartstone".

He and Mr Hunter would be jointly involved in the refinancing talks, which must be completed by January when a standstill agreement expires.

Hartstone is believed to be considering a further appointment to the board, possibly a US director. This could dampen rumours of a sale of the US leather goods division.

Laporte attracted to the US

By Andrew Bolger

LAPORTE, the speciality chemicals group which reported half-year results yesterday, said the US was looking more attractive for much of its businesses, which now account for 35 per cent of group turnover.

The group sells 30 per cent of its output in the UK. However, it said European markets remained subdued and no significant improvement was envisaged for the rest of the year.

● **COMMENT**

The sharp increase in the share price reflected what one analyst described as a "stupendous" performance from Evode. Analysts have upgraded their full-year forecasts to about £110m, which puts the shares on a prospective multiple of 15.5. A group so well placed to benefit from recovery in the UK and US might expect to be on better than a market average rating at this stage in the cycle, but there remains suspicion in the City towards the company. The performance of its other businesses was also subdued, after stripping out acquisitions and currency effects. A period of consolidation has been promised while recent acquisitions are absorbed. Such a pause, combined with solid trading as demand improves, could see the shares rise in the medium term.

RJB set to bid for large part of British Coal

By Michael Smith

RJB Mining, the recently-floated mining group, said yesterday it expected to bid for a large section of British Coal in the forthcoming privatisation, as it declared interim profits up 25 per cent to £5.55m which were at the top end of expectations.

Mr Richard Budge, chairman, said he was delighted by government indications that it planned to break up the corporation into five parts. He expected to be a bidder for at least one of the main sections.

RJB has already submitted tenders to mine under licence five pits which are no longer wanted by British Coal, although one – for Easington in the north-east of England – has been withdrawn. It plans to bid for up to seven more if British Coal starts to effect closures among 12 pits reprieved by the government in March.

The City approved of RJB's performance for the half year to June 30, lifting the shares by 10p to 269p. RJB's profits, which compared with £4.45m last time, were achieved on turnover of £37.74m (£37.3m).

The result enabled RJB to declare an interim dividend of 5p, covered 1.83 times.

Davis Service ahead at £8.47m

By Peter Pearse

PRE-TAX profits at Davis Service Group, the now reorganised and refocused business services concern, rose from £8.03m to £8.47m in the six months to June 30.

The results for the first half of 1992 were skewed by a £2.45m contribution from Godfrey Davis (Contract Hire), sold in April 1992 for £5.75m, and a net interest charge of £2.53m, which was mostly the result of the large amount of "back-to-back" borrowings incurred by the contract hire business. Net interest payable this time came to £456,000.

Gearing at the period-end was 23 per cent on borrowings of £25.5m, £18m of which were built up by the £52m acquisition in May of HSS Hire Services Group from John Mowlem.

The 170-strong HSS chain contributed £699,000 to continuing operating profits of £8.93m (£8.11m) and £10.2m to continuing turnover of £119m (£101.7m). It is expected to grow at the rate of 20 outlets a year. Total group turnover came to £127.7m (£124.7m).

Mr George Boyle, finance director, said as had been foreseen, demand in the group's markets had remained flat, making for increased competition and pressure on margins.

Earnings per share advanced to 6.51p (6.39p) and the interim dividend is held at 2.73p.

New centre helps Bentalls cut interim deficit to £419,000

By Paul Taylor

BENTALLS, the department store operator, reported a reduced interim pre-tax loss yesterday helped by an exceptional gain and the first rental income from the recently completed Bentall Centre in Kingston.

The group, which operates seven department stores in the south east of England, reported a pre-tax loss of £419,000 (£1.05m) in the six months to July 31. But despite posting losses per share of 0.67p (0.29p), the group is maintaining the 0.6p interim dividend.

Turnover grew by 11 per cent to £33.8m (£30.5m) led by the flagship Kingston store, which accounts for 60 per cent of the total, and by sales of household items.

Operating profits of £480,000 (£971,000 loss), were bolstered by the £825,000 minimum guaranteed rental income from the Bentall Centre which opened in November and by £345,000 in receipts from reductions in the Uniform Business Rate on two of the smaller stores and the head office building.

These gains helped offset interest charges which increased to £899,000, against £75,000 last time when the group benefited from £1.27m of capitalised interest.

Mr Edward Bentall, chairman, said the results included reduced losses at the group's store at the Thurrock Lakeside shopping centre which was acquired two years ago.

In the second half, the group is also expected to benefit from the increased customer traffic generated by the Bentall Centre, particularly during the important Christmas period.

Oriel losses at £28,000

ORIEL GROUP, the USM-quoted insurance broker, reported pre-tax losses of £28,000 in the half year to the end of June, against profits of £1.2m.

The result was in line with expectations set out in the chairman's statement with the 1992 report and accounts. A loss of £1.28m in the second half left annual pre-tax losses at £74,000.

Income for the first half of 1993 was £4.65m, including £364,000 from acquisitions, against £6.66m. Towards the end of the period the company bought Warranty Holdings and figures for three weeks are included.

Losses per share came out at 1.15p (earnings 5.27p) but the interim dividend is maintained at 2p. Mr Nigel Cayzer, chairman, said the move reflected the underlying profitability.

Correction

Devro Intnl

Devro International had pre-tax profits of £4.44m in the six months to June. The figure was reported incorrectly in yesterday's edition.

Whatman lifts profits 8% to £4.6m midway

By Peter Pearse

WHATMAN, the specialist paper, filtration equipment and gas generator manufacturer, lifted pre-tax profits 8 per cent from £4.22m to £4.56m in the first half of 1993.

There was an underlying growth in sales of 6 per cent, but once a £1.2m contribution from acquisitions – principally Biometra Biomedizinische Analytik acquired in March for up to £4.06m – and exchange rate factors are added in, turnover advanced 30 per cent from £25.9m to £33.7m.

The exchange rate in the half was £1/$1.51, against £1/$1.91 last time. Mr Hugh Perrott, finance director, said that currency movements had little impact on profits, as the forward contracts covering the foreign exchange exposure were taken out before sterling's devaluation.

In sales terms, the UK, where they slipped after a strong performance in the corresponding period, accounted for less than 15 per cent; North America spoke for some 60 per cent; continental Europe 15 per cent; and Japan 5 per cent.

Expenditure on new product development showed a 15 per cent increase over last time, and now accounts for 5 per cent of sales.

Net borrowings grew by almost £4m to £5.5m over the half, though acquisitions accounted for £2.5m of that. There was also a seasonal rise of £1m in inventories.

The interim dividend is raised 6.5 per cent to 3.3p (3.1p), payable from earnings up at 12.91p (12.26p) per share.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Assoc Brit Ports ......int	3.5	Nov3	3.25	-	8.5
APV ......int	2	Nov 26	2	-	5.4
Bentalls ......int	0.6	Nov 5	0.6	-	1.9
Britton ......int	0.06	Nov 12	-	-	-
British Fittings ......int	0.75	Nov 26	0.5	-	1.5
British Mohair ......int	1.4	Oct 22	1.4	-	8.5
Davis Service ......int	2.73	Oct 29	2.73	-	7.98
Dowding & Mills ......fin	1.58	Oct 28	1.58	2.5	2.5
Edmond ......int	0.15	Dec 6	0.35	-	0.5
Folkes ......int	0.575	Dec 2	0.575	-	1.5
Intl Food Mach ......int	1.4	Nov 24	-	-	-
Kwik-Fit ......int	1.5	Nov 1	1.35	-	3.35
Laporte ......int	7.4	Nov 11	7	-	19.5
Legal & General ......int	6.5	Dec 1	6.2	-	19.1
Logica ......fin	2.75	Nov 5	2.5	4	3.65
Oriel § ......int	2†	Jan 10	2	-	5
Pantheon ......fin	0.5	Nov 28	2.5	0.5	2.5
Photo-Me ......fin	3.2	Jan 4	3.1	4.6	4.4
RJB Mining ......int	5	Oct 12	-	-	-
RMC Group ......int	6.6	Dec 1	6.6	-	20
Sheffield Insul ......int	1.8	Nov 16	1.8	-	5.4
Sirdar ......fin	3.7	Nov 29	3.5	5.35	5.15
Spandex § ......int	2.1	Jan 14	1.9	-	6.5
United Biscuits ......int	5.5	Jan 4	5.5	-	15.3
Wassall ......int	1	Nov 5	0.76	-	2.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

COMPANY NEWS: UK

Strong recovery on general insurance side bolsters midterm profits

Legal & General rises to £75m

By Richard Lapper

A STRONG recovery in the performance of its general insurance business helped Legal & General, the composite insurer, to increase pre-tax profits from £72.5m to £75m for the first six months of 1993.

The underlying increase was stronger since last year's profits were bolstered by £31.5m from the sale of the UK investment management businesses to the L&G Society Life Fund.

Earnings per share rose to 6.5p (6.2p) and the interim dividend is being lifted from 6.2p to 6.5p, an increase of 4.8 per cent.

Mr David Prosser, group chief executive, said the results "demonstrated the strong management actions taken to improve performance."

Profits from worldwide life and pensions business increased from £75.4m to £77.7m. In the UK, total life and pensions profits grew by 8 per cent to £59.7m reflecting underlying growth in the portfolio and an increase in the number of maturing policies.

Total premium income for the half year rose from £692.1m to £950m, with new business up by 27 per cent to £122.7m. Annual premiums of £74.1m compared with £73m and new single premiums doubled from £335.1m to £496.1m.

Overall growth in new premiums reflected the gradual emergence of the economy from recession, said Mr Prosser. L&G had also benefited from tighter control of distribution channels.

A small profit of £300,000 was recorded on general insurance business. The most important factor here was an improvement in the mortgage indemnity account following the establishment of significant reserves in recent years. The account broke even in the first half compared with a loss of £26.4m last year.

Profits from property insurance amounted to £3.8m, mainly as a result of rate increases and a fall in weather-related claims.

Total worldwide funds under management reached £28bn at the end of June, a rise of £3.3bn since the beginning of 1992.

● **COMMENT**

Legal & General appears to have put some of its recent troubles behind it with the effects of management changes bearing fruit. Yesterday's profit figures have followed news of a pick-up in new business growth. The 4.8 per cent interim dividend increase indicates a full year dividend of about 20p, leaving a prospective yield of more than 5 per cent, well above the sector average. Strong asset backing will also provide underpinning, while reduced exposure on the domestic indemnity front should lead to less volatility in the share's performance. However, L&G has significantly outperformed the market since last autumn, indicating that investors have discounted some of the recovery already. The picture is also clouded because of concern about the future of the endowment market – in which L&G is a big player – after the government's decision this year to impose new disclosure rules on commissions. All this will limit the stock's potential.

APV declines sharply midway to £4.9m

By Andrew Bolger

APV, which supplies processing equipment to the food and drink industries, blamed continuing pressure from competitors on margins for a sharp drop in its profitability.

The group, which is restructuring after expanding rapidly by acquisition in the 1980s, said it would accelerate its programme of cutting costs, disposing of non-core businesses and increasing market penetration in key areas.

Pre-tax profits fell from £12m to £4.9m in the six months to June 30 on sales which were down from £437m to £417m. Turnover of continuing operations increased by £4.3m to £416m, although changes in exchange rates inflated the overall sales figure by more than £50m.

Profit from continuing operations, excluding divestments, was £9.7m, compared with £12.5m in 1992. Currency effects added £1.5m to the profits figure.

The group said its order book at the end of June was 4 per cent lower than at the same stage last year, but the value of orders received in July and August was much higher.

Mr Clive Strowger, chief executive, has closed five production plants and sold six businesses since he was appointed in June last year. The group's workforce fell by 400 to just under 11,000 in the six months to June. Two years ago it stood at 14,000.

Sir Peter Cazalet, chairman, said customers in the UK and US would only invest in capital equipment when they were confident that there was a sustained economic recovery.

He added: "The group's businesses in the Asia Pacific region continue to enjoy favourable economic and market conditions. However, it may be some time before there is an improvement in the economic climate in continental Europe, which is the source of nearly 40 per cent of the the group's orders and sales."

The group said reduced trading profits and significant restructuring costs would depress UK taxable profits this year, resulting in a substantial Advance Corporation Tax write-off, giving an effective tax rate of 51 per cent. Earnings per share fell from 2.8p to 0.7p, but the interim dividend was held at 2p.

Folkes falls to £200,000

THE effects of the recession continued in the first half at Folkes Group, with ongoing pressures on margins and volumes pushing pre-tax profits from £650,000 to £200,000.

Mr Constantine J Folkes, the chairman and chief executive, pointed out that profits in the property division were marginally higher, but both the engineering and building products sectors showed a downturn compared with last time.

The interim dividend, however, is maintained at 0.575p. Earnings per share declined from 1.35p to 0.28p.

Turnover for the six months to June 30 was virtually unchanged at £30.1m (£30.4m) giving a trading profit of £312,000 against £723,000. Interest took £112,000 (£73,000).

Britton turns in £0.52m

BRITTON Group, the expanding packaging group formed last October, yesterday announced pre-tax profits of £520,000 for the first half of 1993 from a turnover of £6.39m.

Mr Harry Westropp, chairman, said the results were as expected. The second half had started satisfactorily with the group benefiting from improved working capital control resulting in lower than expected interest charges.

Since the period end Britton has acquired TACO, a polythene extruder, funded by a £31.4m placing and rights issue, making the group the second largest polythene extruder in the UK.

Earnings per share for the period were 0.38p. An interim of 0.06p has been declared.

Photo-Me rises 7% but shares tumble 50p

By David Blackwell

SHARES OF Photo-Me International, the world's largest photo-booth manufacturer and operator, fell sharply yesterday as the group reported pre-tax profits for the year just 7 per cent ahead at £17.59m, against £16.41m.

While sterling's devaluation contributed £2m to pre-tax profits, the gains were absorbed by high depreciation costs, which reached £14.3m (£11m). The shares closed down 50p at 343p.

Operating profits before depreciation rose to £31.78m (£27.42m), while turnover grew to £134m (£114.8m).

Mr David Miller, managing director, said that the rise in depreciation costs reflected the cost of installing instant printing machines for letterheads and labels, as well as upgrading 600 photo-booths with equipment that provided prints in three minutes instead of five.

The group had also written down to zero assets on an older business in Europe, taking a one-off charge of £1m, and incurred start-up losses in Eastern and Central Europe.

Mr Miller said the company was disappointed by the lack of growth in its key markets, but it had "taken our bad news on the chin."

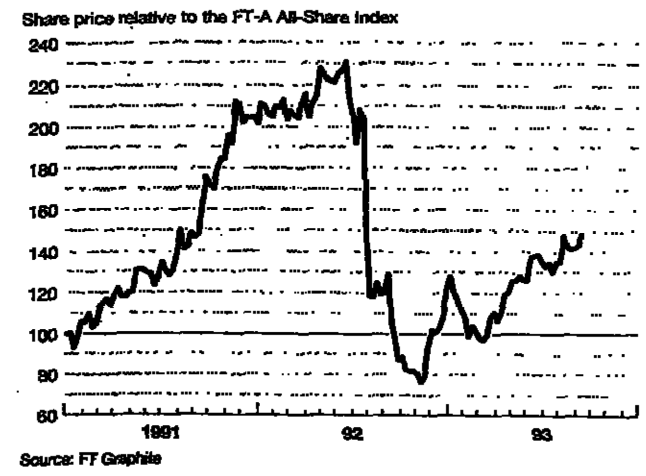
The group would continue to concentrate on its core photographic and imaging businesses, including "Fun" studios, which allow customers to be photographed in front of famous backdrops or with celebrities. It had signed agreements to sell "significant quantities" of equipment to new territories.

The group continues to expect potential growth from its data identification systems division, which provides photos for identity cards. It blamed "governmental financing" for slow growth in the past two years.

Earnings per share eased to 17.58p (17.9p). A final dividend of 3.2p is proposed, giving a total for the year of 4.6p (4.4p).

Increased core demand helps Kwik-Fit to £11.5m

By Catherine Milton



Source: FT Graphite

HIGHER demand for tyres and exhausts and a third year of stringent cost control helped Kwik-Fit Holdings report a rise in pre-tax profits to £11.5m for the six months to August 31 against £9.74m.

The company had gained a small amount of market share in the period, Mr Tom Farmer, chairman, said. "As long as there's cars on the road and as long as the consumer has money to spend on the repairs to those cars then we will get a substantial share of that market."

Kwik-Fit began its push into the brake replacement market in July.

"Early indications have shown that this could become an important growth area for Kwik-Fit and by October of this year we will be in a position to offer and market this service through 90 per cent of our centres," Mr Farmer said.

The move is expected to cost about £2.5m in training and advertising expenses this year. Kwik-Fit believes the brake replacement market is worth more than £500m, twice the value of the current exhaust replacement market.

Group turnover increased 11 per cent to £132.1m (£119.2m) on the back of increased demand for tyres and exhausts. Operating profits rose 36 per cent to £12.3m (£9.08m) but the gain at the pre-tax level was limited by a fall in profits from asset sales to £207,000 from £1.73m.

Capital expenditure fell from £9m to £3.3m. Net interest and other financial charges fell slightly to £1.06m, compared with £1.07m.

The board declared an increased interim dividend of 1.5p (1.35p) out of earnings per share higher at 4.7p, against 3.82p.

● **COMMENT**

Kwik-Fit has done well to gain market share and lift profits in its static markets and in the face of growing competition from car dealers. There are, however, challenges to continuing growth for this operationally geared company. Consumers still prefer lower margin economy tyres and it will be hard to achieve more than modest growth in its share of the stable exhaust pipe market it dominates. But the company and the City have high hopes of its well-timed and inexpensive move into brakes. Meanwhile, the Netherlands' operations look back on track, making useful contribution to profits. With pre-tax forecasts about £21m to £22m, a multiple of about 20 looks expensive.

British Fittings back in black

THE STEPS taken last year to restructure management and control costs have put British Fittings Group back in the black in the six months to June 30.

Despite continuing adverse trading conditions, the group turned in pre-tax profits of £672,000, against £1.02m losses last time. The results have been prepared according to FRS 3 and comparatives restated.

Turnover in continuing businesses fell 6 per cent to £34.8m (£36.96m), but operating profits on these businesses rose by 32 per cent to £1.43m (£1.09m). The group's activities cover pipeline equipment distribution, high pressure water products and non-ferrous metals distribution.

Interest charge for the half year was lower at £762,000 (£1.28m) and after tax of £70,000 (nil), earnings per share were 1.71p (5.11p losses). The interim dividend has been raised by 50 per cent to 0.75p (0.5p).

Mr Michael Borlenghi, chairman, said working capital had remained under strict control and net borrowings had fallen by a further £977,000 to £18.29m, making a reduction of over £5m since June 1992.

Property side now well placed to produce a positive contribution

AB Ports advances strongly to £29m

By David Blackwell

SHARES OF Associated British Ports Holdings rose 18p to 452p yesterday on news of a near-doubling of profits from £15.1m to £29.4m pre-tax for the half year ended June 30.

However, the comparable figure reflected a £10m property development provision.

Sir Keith Stuart, chairman, said that following the £83.6m total provision made in 1992, the property business was well-placed to produce a positive contribution.

Operating profits from property development were £1m following a loss of £1.6m last time, while profits from property investment rose to £5.4m from £4.5m. Port related property profits contributed £10.2m (£9.8m).

Operating profits from the ports and transport sector were £28.4m after taking a £4m charge for severance payments, mainly at Southampton Container Terminals, where manpower has been cut from 461 to 349. This was down on last year, when the sector had profits of £33.5m after £2m of severance costs.

Sir Keith said the company now employed 1,800 people at its 22 ports, a reduction of about two-thirds in 10 years. There would be further severance costs, he predicted, but nothing like on the same scale.

The amount of cargo in tonnes passing through the ports had remained constant, said Sir Keith, but an improvement that emerged towards the end of the half year had been maintained in July and August.

Steel, timber and containers were higher, but coal imports were much lower.

Sir Keith added that the car trade had been strong in both directions. Production from the Toyota Derby factory was being exported through Grimsby.

Group turnover was slightly ahead at £108.9m (£108.1m).

Net interest payments were down to £17.8m from £20.8m. The group had a tax charge of £7.2m or 24.5 per cent, reflecting capital and other allowances. Previously tax was £4.6m, or 30.5 per cent.

Net borrowings were £359m (£349m) giving unchanged gearing at 60 per cent.

Earnings per share improved to 11.9p (5.7p), although before the property development provision last year's earnings were 9.6p. The interim dividend is being raised from 3.25p to 3.5p.

● COMMENT

Clearing the decks with a large property provision might have pushed ABP into the red last year, but it has enabled a clearer picture to emerge this year. The group is sensibly planning to concentrate its property investment business on land near its ports. It also reports good progress with lettings in the property development side, which has moved out of the red at the operating level. At the same time income from the ports is holding up well.

The problems with Southampton Container Terminals are over, and from now on any severance costs should be insignificant. Full-year pre-tax earnings of around £60m will give a p/e of about 19 – justifiable if the ports business continues untouched by European recession and the property business continues to improve.

Sir Keith Stuart: there will be further severence costs, but nothing like on the same scale

John Lewis interim profit falls to £16.4m

By Neil Buckley

INTERIM profits at John Lewis Partnership, the employee-owned department store and supermarket group, fell for the fifth successive year, in spite of a better than expected performance from the Waitrose chain.

Pre-tax profits for the six months to July 31 were £16.4m, down from £18.2m. Last year's figure was restated downwards from £20.2m, after John Lewis was advised by its actuaries in the second half that it should to increase its pension contributions.

That increased first-half pension costs from £5.7m for the first half of 1992 to £7.7m this time.

A further increase in pension costs this year to £8.7m accounted for much of the fall in trading profit, after pension costs, to £28.5m from £30.3m.

First-half taxable profits at the group have collapsed from more than £50.8m in 1988, although the rate of decline slowed this year. The group, which has 22 department stores and 105 Waitrose supermarkets, has been hit hard by recession, and by increasing competition, especially in the grocery market.

Waitrose has been hampered by its refusal to trade on Sundays and its slowness in introducing new technology, and has been able to expand less rapidly than its competitors because of its inability to raise capital on the stock market.

Mr Stuart Hampson, chairman, said that any fall in the bottom line was unwelcome. However, the decline of only £0.8m in trading profits before pension costs showed how successful the group had been in containing costs and boosting sales.

Group turnover increased from £1.09bn to £1.13bn. Sales increased 6 per cent to £532.5m in the department stores. Sales at Waitrose increased 1 per cent to £577.2m, in contrast to the fall that had been forecast, but profits were hit by one-off costs associated with improving the distribution network and introducing scanning in the stores.

Sales in the wholesaling and manufacturing division fell 11 per cent to £17.6m.

Mr Hampson warned that the second half would be "challenging", but trading in the last six weeks had exceeded estimates.

North American and Far East losses peg Logica

By Alan Cane

LOSSES IN North America and the Far East contributed to a lacklustre full year performance by Logica, the computing services group.

Profits before tax for the year to June 30 were £9.03m, a 28 per cent increase on the previous £7.1m, but slightly below market expectations. The shares fell 1p to 254p.

Revenues rose 9 per cent to £217.4m (£200.4m). The tax rate was up slightly to 41.65 per cent as a result of unrelieved losses in the US, leaving earnings per share 24 per cent ahead at 8.7p (7p). A final dividend of 2.75p will be paid giving a total for the year of 4p, an increase of 10 per cent.

Cash was strong at £17m (£13.7m), the result of continuing tight management controls.

The company performed well in the UK where operating profits grew by 31 per cent to £9.2m and gross margins improved to 7.1 per cent (5.8 per cent). Continental Europe, where the company lost £1.7m last year, improved to profits of £2.6m.

The company lost £2.6m in North America through set backs in the telecommunications sector and a sharp decline in Logica's business with the large computer vendors. The result was a "major disappointment" said Mr Martin Read, the newly appointed chief executive: "We cannot go on as we have in the past three or four years. North America has got to be sorted out".

In the Far East, the company lost £300,000 chiefly as a result of overspending on a large fixed price project for the Hong Kong Stock Exchange.

● COMMENT

Logica's results are not bad, but they are not good enough. The difficulties in the US and Asia cannot disguise the fact that a company with its strength in technology and its formidable customer list should be at least twice as profitable. Mr Read, formerly a high flyer with GEC Marconi, has been brought in to bring new aggression and focus to Logica's market presence. He intends to find ways of making more productive use of the company's skills and experience, but it will take time to change the culture and boost profitability. On a historic p/e of about 29, the shares seem fairly valued.

Recession blamed for Dowding fall

By Catherine Milton

DOWDING AND Mills, the electrical and mechanical repair company, said a third year of recession had cut its full year pre-tax profits from £5.9m to £5.04m.

The board proposes a maintained final dividend of 1.58p giving a total for the year held at 2.5p uncovered by earnings per share of 2.04p (2.65p).

"Although not covered by attributable profits, the total cost of the dividend at £3.66m is more than covered by normal trading profits before deduction of exceptional costs," Mr Peter Hollings, chairman, said.

Turnover for the year ended June 30 rose to £83.3m (£74.7m) almost entirely on the first full year contribution of a US acquisition made at the end of the previous period.

Pre-tax profits were undermined by redundancy costs of £423,000 (£165,000) and a £628,000 one-off write-down of a near 9 per cent stake in Torday & Carlisle, the Newcastle-based engineer, for which Dowding and Mills made an abortive bid, and which has since declined in value. Last year's £633,000 charge was for costs incurred in bidding for Torday.

Operating profits of £6.4m (£7.31m) included £857,000 from the US acquisition.

"Although some sectors of the United Kingdom economy have recently improved, we have not yet seen any positive upturn in the markets where we operate." Mr Hollings said.

Mainland Europe, had had a difficult time, he said, while Australia had been mixed, with reasonable volumes in the company's Queensland branches, but a shortage of work in New South Wales.

Tight control of capital expenditure – down to £2.9m (£5.9m) – and of cash, had helped reduce gearing to 18.8 per cent (22.8 per cent).

SHT cuts debts to £25m

By Nigel Clark

THE continuing efforts of Scottish Heritable Trust, the York-based conglomerate, to cut debt resulted in borrowings falling from £33.8m to £25m over the six months to June 30.

The prime objective remains debt reduction and since the period end, the sale of Fox Ridge Homes Inc has been agreed for $8.7m (£5.6m).

For the six months to the end of June, pre-tax losses increased from £2.9m to £6.33m after costs concerning the sale of businesses of £4.79m (£584,000 profits). Taking out the exceptional costs, left losses of £1.5m which the company said was a significant improvement.

The company blamed the losses on the high interest burden. The charge for the period was down from £1.91m to £1.13m.

Turnover was £2.43m (£2.44m) for continuing activities with a further £11.8m (£20.4m) from discontinued. Losses per share were 17.7p (8.1p).

For the future the company, where Mr Roger Shute, formerly of BM Group, is temporary chief executive, said that its offshoots were still finding trading difficult.

"Unless there is a remarkable turnaround in the property market in the next few months, group trading results for the remainder of the year are unlikely to show any material signs of improvement."

Associate helps Sirdar rise to £5.73m

HELPED BY a reduction in interest costs and a larger contribution from its associate, Sirdar was able to achieve a rise in profits from £5.05m to £5.73m pre-tax for the year to end-June.

The shares responded with a 13p rise to 129p.

Results were a little better than the directors had hoped for. They said the figures were bolstered by an "exceptionally good" second half year at Eversure, the ready-made curtain offshoot.

Turnover slipped to £51.97m (£52.03m). The hand knitting activities ran up an operating loss of £93,000 (profit £720,000) while other textile products achieved a rise in profits of over £1m at £6.08m.

The associate, Acropolis Hotels, chipped in £284,000 (£166,000) to profits while group interest charges were reduced from £910,000 to £547,000.

Acropolis hopes to open a new hotel in 1995.

The final dividend is being lifted to 3.7p (3.5p), raising the total from 5.15p to 5.35p. Earnings worked through 18 per cent ahead at 6.89p.

At the year end group gearing was down from 23 per cent to 9 per cent.

Moorfield £13m buy as losses fall

By John Murrell

MOORFIELD Estates, the USM-quoted property trader and investor, yesterday unveiled a package comprising a £13m acquisition, a placing and open offer and additional banking facilities.

It also reported a cut in pre-tax losses from £774,000 to £244,000 for the six months to end-June.

The acquisition is a portfolio of 10 properties from British Land for a cash consideration of £12.84m. The properties have been valued by Chesterton at £13.3m.

The placing and open offer of 21.62m new ordinary shares at 37p will raise about £8m before expenses. Some £3.9m will be used to finance part of the acquisition, a further £800,000 will repay short term loans and £2.9m will provide funds for further property purchases and working capital.

There is a clawback for existing shareholders on a 2-for-1 basis. The shares closed 4p higher at 45p.

Moorfield has also entered into a new five-year loan agreement with the Hong Kong and Shanghai Banking Corporation in connection with the acquisition which will provide a further £10.9m. Of this, about £9.1m will be used to fund the remainder of the acquisition. The balance will be used to refinance certain existing short term loans.

At least £1m of the loan is to repaid by October 1995 from the proceeds of property sales.

The portfolio being acquired has a current rental income of £1.31m, giving a yield of 10.2 per cent on the purchase price.

The new shares have been conditionally placed by NatWest Wood Mackenzie, the company's brokers. An extraordinary meeting to seek shareholder approval of the acquisition and placing and open offer has been convened for October 11.

The reduction in interim losses was mainly attributable to an increase in rental income to £881,000 (£774,000), a cut in interest payable to £751,000 (£945,000) and lower administration expenses of £224,000 (£365,000).

Losses per share were cut to 2.23p (9.01p).

Subject to approval being received for the acquisition, placing and open offer a dividend totalling not less than 1p will be paid for 1994 with 0.5p being paid as an interim in September of that year.

The last dividend payment was 0.1p for the 1991 year.

NEWS DIGEST

Intl Food Machinery at £878,000

SHARES IN International Food Machinery, which came to the market last December, jumped 9p to 80p yesterday after the company reported a surge in pre-tax profits to £878,000 for the first half of 1993. This compared with £292,000 last time which was after £128,000 losses from discontinued activities.

Turnover of this food processing and refrigeration equipment concern grew to £4.84m (£3.39m) and earnings per share reached 5.98p (1.68p). An interim dividend of 1.4p has been declared.

The company said that following its attendance at an exhibition in Iran, a substantial number of orders were taken for which deposits had been received. However, because of the time taken to complete these transactions, profits on these would arise in the second half.

Turnover in Australia had increased considerably and orders achieved and anticipated from a major trade show in that country were likely to have a very positive effect in the current year.

British Mohair down to £907,000

British Mohair Holdings reported pre-tax profits down from £1.02m to £907,000 in the first half of 1993 and said it expected the full year figure to be similar to the previous £2.1m.

Mr Charles Fenton, chairman, said activity in the group's textile companies remained subdued in the period, with a lower contribution from the hand-knitting sector. Non-textile operations showed a marginal improvement.

At present, demand for textile products showed no appreciable change, while the specialised engineering activities were expected to continue to trade satisfactorily.

First-half turnover edged ahead from £19.5m to £19.78m, while earnings per share slipped to 4.48p (5.22p). The interim dividend has been maintained at 1.4p.

Currency gains help Pict advance 63%

Pict Petroleum, the oil and gas exploration and production group, saw net profit for the year to June 30 rise 63 per cent to £4.82m on turnover of £9.58m, compared with 1992 figures of profit of £2.96m on turnover of £10.8m.

The results were helped by currency gains of £1.57m (losses £482,000) because of the stronger dollar and higher net interest received of £837,000 (£537,000).

The fall in turnover was mainly attributable to the disposal of the interest in the Claymore field. The average price rose to £11.1 per barrel (£10.54).

Earnings per share were 9.34p, against 6.65p.

Expansion of net assets at Pantheon

For the year ended June 30 1993 net asset value per share of Pantheon International Participations expanded to 195.5p, compared with 139.7p, assuming full conversion of warrants. Undiluted the figure amounted to 211.1p against 146.2p.

Available revenue of this investment trust was lower at £169,000 (£438,000) for earnings per share of 1.16p (3.01p).

The dividend has been cut from 2.5p to 0.5p.

Sanderson, Murray profits up 67%

Sanderson, Murray and Elder (Holdings), motor distributor, clocked up a 67 per cent increase in pre-tax profit to £1.06m for the half-year to June 30, compared with £633,000. Turnover rose 25 per cent to £84m, including £4.86m from acquisitions.

Earnings per share were 4.56p (2.87p) and the interim dividend is increased to 0.66p (0.60p).

The directors said sales of new cars rose by a fifth on the same period last year at 3,800, while used car sales rose by a quarter to 2,490. The service, repair and parts departments contributed 61 per cent of total gross profit.

Turnover includes a small contribution from 2 months trading from a Ford dealership in Hull, acquired in April for about £2m. The figures do not reflect the acquisition of the Skipper Group of dealerships in July of this year.

Murray European net assets rise

Net asset value per share at Murray European Investment Trust improved to 51.6p as at June 30 1993. This compared with 46.3p six months earlier and 44.6p as at end-June 1992.

Earnings per share rose from 0.15p to 0.6p for the six months' period on net available revenue of £179,000, compared with £46,000. The directors stated that in line with capital growth investment policy, there is no interim dividend.

Edmond incurs £187,000 loss

Edmond Holdings, the housebuilding group, suffered a pre-tax loss of £187,000 for the first half of 1993, against £22,000 last time.

Turnover was £5.69m, down from £6.44m previously.

Losses per share were 0.26p (0.03p) and the interim dividend is reduced to 0.15p against 0.35p last time.

The group's gearing is down from 63 per cent at the end of 1992 to 55 per cent.

Spandex advances 10% to £2.45m

Shares of Spandex, the USM-quoted distributor and supplier of sign-making equipment and materials, rose 10p yesterday on news that profits had risen by 10 per cent to £2.45m pre-tax for the half year to end-June.

Turnover was marginally ahead at £28.99m (£28.33m). The "modest" growth in sales was achieved despite the depressed state of economies in the territories throughout Europe where the company operates.

Earnings per share improved to 13.7p (11.2p) and the interim dividend is being lifted from 1.9p to 2.1p.

Redrow chairman says worst is over

By Gary Evans

IN LINE with its forecast at the time of its acquisition of Costain Homes, Redrow Group, the privately-owned housebuilder and construction concern, raised pre-tax profits by 30 per cent to £13.3m in the year ended June 30.

Turnover of the group, which paid £23m in July to acquire Costain's loss-making UK housebuilding operations, rose by 8 per cent to £130m. The result prompted Mr Steve Morgan, the chairman, to predict that the worst of the recession was over.

He said that although all group companies experienced difficult trading conditions "we have hopefully seen the start of a sustained recovery in the housing market". Redrow claims to be the UK's largest unquoted housebuilder.

During the year, Redrow's balance sheet strengthened by a further 17 per cent, reflecting a net worth of £53.7m, while net year end borrowings were reduced to £3.8m, giving a 7 per cent gearing. Following the Costain purchase however, group borrowings rose to £21m and gearing to 39 per cent.

Mr Morgan said he expected the housing division to make substantial progress during the current year. The acquisition of Costain Homes – now trading as Redrow Homes (South East) – took its number of regional housing operations to 7 and gave the division a significant presence throughout England and Wales.

With a land bank of about 6,300 plots, completions approaching 2000 units were anticipated in the current year.

Store opening costs hit Era as losses increase

By John Murrell

THE COSTS of opening four additional stores were partly responsible for a near doubling of losses at Era Group, the specialist retailer, to £2.59m pre-tax for the half year ended June 30.

The deficit, which compared with £1.66m before, was struck from a turnover little changed at £29.2m (£29.35m). The company is best known for its Beatties model and toys chain.

A sales deterioration in the opening quarter following a lack of consumer confidence was compensated for by an improved sales performance in the second quarter.

The group suffered only a slight erosion of gross margins despite severe competitive pressures on pricing and the impact of the increased sterling cost of imported products.

Mr Anthony Fay, the chairman, said the recovery in sales in the second quarter had continued following improving consumer confidence.

He added that if this trend continued, "it should prove particularly advantageous ... particularly as trading is strongly biased towards November and December."

The extra stores were also expected to generate additional sales during the important Christmas trading period.

Half year losses per share widened from 2.07p to 3.19p.

Scene set fair for a turnround

Sentiment is buoyant, but concerns persist about the availability of suitable properties, says Vanessa Houlder

Few sectors have more cause to celebrate this week's first anniversary of Black Wednesday than the property investment industry. Sterling's exit from the European exchange rate mechanism, which eventually led to a 4 percentage point reduction in UK interest rates, paved the way for a strong recovery in investment demand.

Lower interest rates took the pressure off property companies' balance sheets, easing the need to sell property. The high yields offered by property and the falling cost of finance attracted overseas buyers and private investors into the UK market. Growing confidence in the property recovery, together with its high yields, prompted institutions to return to the market.

The scale of this recovery is underlined in a report just published by DTZ Debenham Thorpe, property consultants, which states that current potential demand is the highest for at least five years. "The retreat in the flow of money into property over the past three years has reversed," it says.

The report draws parallels with previous periods of heavy buying such as the mid-1970s and the mid-late 1980s. "The current bout of heavy buying fits the cyclical pattern of property investment over the past 20-25 years," says the report. Periods of heavy buying have tended to be sporadic occurring when values do not take sufficient account of the strength of expected demand, it adds.

Different components of the market have been affected by the changed conditions in different ways:

● The institutional sector has experienced the biggest change in sentiment of any sector. Its gross investment potential over the next 12-18 months could exceed £7bn.

This represents a sea change in attitude. Last year, the combined institutional net purchases of just less than £1bn was half the 1991 total and one of the lowest recorded over the past 12 years. As a percentage of new investment, property has slipped from about 15 per cent at the start of the 1980s to 5 per cent at the start of this year – "a level that is barely acceptable for a mainstream asset class", according to DTZ.

The abrupt change in outlook stems from increasing confidence in the market's recovery, together with a greater appreciation of the attractions of property's high, secure income as bond yields fall.

DTZ Debenham Thorpe Research surveyed 50 fund managers, who control £35bn of property or 60 per cent of total institutional property holdings. DTZ found that investors were taking a "very positive" view of future performance, with nine out of 10 respondents saying that expectations of a recovery in values over the next 1-2 years were an encouraging factor in their investment decisions.

Property is viewed as a means of maintaining the performance of a portfolio, given pessimistic expectations of future dividend growth and an over-supplied gilts market.

The funds' total potential spending power could reach an annual peak of £7bn over the next 12 months and remain at about £8bn through to the middle of the present decade.

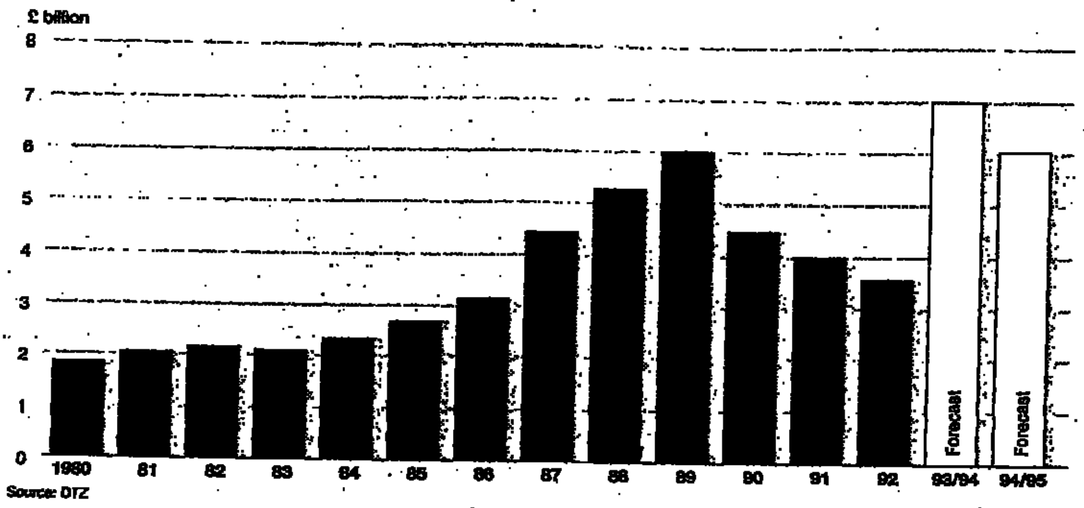
The DTZ survey suggests that about half the funds intend to raise investment and maintain it at a high level for several years, 23 per cent propose a short-term increase in purchases at some point over the next three years, and 17 per cent are net sellers which intend to wind down their acquisition programme.

But there are caveats. With so much money available for so few suitable properties, values may rise to a point where they are no longer considered as offering good value. Moreover, property sales are expected to increase over the next two to three years.

About 55 per cent of funds expect to raise the turnover of their portfolios this year, although only 10 per cent could be classified as heavy sellers. Another concern for some funds is the possibility of legislative change which could affect the security of rental income.

Enthusiasm for property is stronger among insurance companies than among pension funds, says the report. A quarter of pension funds doubt whether they will be positive investors over the next 12 months, compared with only 10 per cent of insurance companies. Pension funds' appetite for property is restricted by the squeeze on their cashflow and the run-down of funds for the large pension schemes.

Institutional property purchases: poised for pick-up



Source: DTZ

● Property companies are also playing an important role in the revival of the property investment market. Share prices of property companies have nearly doubled over the past year, providing excellent opportunities for companies to tap the equity market.

Property companies have raised about £1.2bn in the six months to July through rights issues, largely to reduce debt and fund new acquisitions. Prospects for smaller companies are, however, more subdued, as most lack the financial muscle to exploit the opportunities.

The knowledge that large property companies are no longer forced sellers has increased confidence in the market. "Whereas concern about the scale of property company disposals has depressed the market in recent years, the position is now almost reversed. The prospect that property companies are becoming net buyers is widely seen as a positive influence on capital values," says the report.

● Overseas investors have reduced their spending on UK property from £3bn at its peak in 1989-90, to an estimated £1½bn-£2bn for 1993. However, this level of investment may prove more enduring than the investment pattern of the late 1980s, which was characterised by many one-off mega-deals.

"The fall in volume represents a shift in the focus of overseas demand from the mega-deals and developments of the late 1980s to a broader and potentially more secure investment pattern."

The majority of deals over the past 12-18 months have been struck by German investors, although Asian and Middle Eastern investors have increased their presence in the past 12 months.

● Banks, unlike other sources of finance, are generally reluctant to increase funds earmarked for property. "For the forseeable future, possibly into the mid-1990s, most banks are likely to be too preoccupied sorting out their existing problems to enter into substantial new lending to the property sector," says the report.

Bank loans to UK property, which peaked at £41bn in May 1991, fell to £36bn in mid-1993. Property debt is about 11 per cent of the banking sector's commercial loan book, which despite being 1 percentage point lower than in 1992, remains one of the highest exposures on record.

The banks' reluctance to lend to property may prevent the recovery from spreading through to the entire market. But in some respects, the shortage of bank finance is likely to add to the stability of the market, since it will prevent a surge in development from adding to the supply of new buildings.

So long as interest rates and bond yields remain relatively low, the scene is set fair for a continued surge in demand for property. The main concern is that there are insufficient sellers of the right type of property at current prices. This could force yields down below the level that buyers are prepared to tolerate at this early stage in the cycle.

Although sentiment towards property has been transformed, it may take longer than investors expect to translate enthusiasm into deals.

Cocoa price touches £900 as surge gathers momentum

By Deborah Hargreaves

COCOA PRICES soared yesterday as the market got to grips with a stream of forecasts predicting a shortfall in this year's crop. The December futures contract closed at a 3-year high of £899 a tonne, up £37 a tonne on the day.

At one point the London Commodity Exchange closed the cocoa market for 15 minutes as the March and May futures contracts hit their limit of a £40 a tonne rise – the first time this has happened for about 18 months.

December futures touched the key psychological barrier of £900 a tonne but slipped at the close to £899 a tonne. "It's unbelievable, nothing seems to be stopping it," one trader said.

The cocoa market has gathered momentum over the past couple of weeks on a steady stream of poor harvest projections and analysts' forecasts of a shortfall against demand for the third season in a row.

Trading was hectic yesterday as speculators and industry buyers piled in to the rapidly rising market. Some manufacturers have kept out of the cocoa market in recent weeks for fear they were witnessing a speculative rally that would soon fizzle out.

"It's not a rally any more but a bull move and some people are talking a couple of hundred pounds higher in the next two months," said one trader.

The problem with the cocoa crop is that prices have been depressed for so long that farmers have had little to invest in their crops. This has caused many trees to weaken, leaving them open to attack by parasites.

Last week E.D. &F. Man, the London trade house, forecast a deficit of 200,000 tonnes in the 1993-94 cocoa crop and a further shortfall of 150,000 tonnes the following year. Particular problems have hit the harvest in the Ivory Coast, which produces a third of the world's cocoa.

Although there have been output shortfalls for the past two seasons, cocoa prices, depressed by seven years of surplus, hit their lowest level since the mid-1970s last year.

Now that the market move has taken off, traders are not worried that plans to liquidate the International Cocoa Organisation's buffer stock of cocoa will depress prices. Delegates are due to hold their final meeting this morning to agree a plan to sell cocoa over four and a half years at a rate of 51,000 tonnes a year.

● Coffee prices slipped as traders began profit-taking following a producers meeting on Wednesday on the export retention scheme that is to come into force on October 1. The November futures contract closed $6 a tonne lower at $1,290 a tonne after touching $1,280 a tonne at one point.

"There is some confusion in the market, but if you expect the producers' retention scheme to work, you will see higher prices in the next couple of months," said Mr Peter Kettle, analyst at E.D. & F. Man.

High-powered smelters find the going too hot

By Kenneth Gooding, Mining Correspondent

PECHINEY, Europe's biggest aluminium producer, is working with other producers to gather as much information as possible about unexpected technical problems affecting plant installed at the world's most recently-completed aluminium smelters, all using the French group's leading-edge technology.

Nearly 1m tonnes of annual capacity using this AP30 technology came into operation in 1991 and 1992 at three very similar new smelters costing about $1bn each and at an expanded operation at Alba in Bahrain.

Operators say that so-called "hot spots" have developed in some electrolytic reduction cells (called "pots" in the industry jargon) and have lead to failure of some pot walls after only 300 days, compared with the expected life of 2,000 days.

Operators at the smelters involved say that at present the problem is not a major one and they are convinced that Pechiney will eventually find a solution.

Mr Christian Bickert, Pechiney's vice-president-aluminium technology, confirmed that 60 pots at the group's own 250,000-tonnes-a-year smelter at Dunkirk, which started up in November, 1991, had been affected. But he said each one had been repaired and reactivated in 15 days. He said these were "start-up problems".

Other operators suggested, however, that, until Pechiney came up with a solution, the problem would recur in repaired pots.

The two other smelters involved are both in Quebec, Canada, and have an annual capacity of 215,000 each: Lauralco, owned by Amax of the US, and Alouette, operated by VAW of Germany for a consortium which also includes Hoogovens of the Netherlands, Austria Metall and a Japanese joint venture between Kobe Steel and Marubeni.

The operators are now swapping information about the problems among themselves and with Pechiney.

In aluminium smelting the aim is to push as much electricity through the raw material as possible – the higher the amperage, the more metal can be produced. But this is a tricky business. The magnetic fields created by huge quantities of energy can play havoc and create very dangerous conditions in the smelter if not properly controlled.

Pechiney won many technical contracts because it was the first company to operate a pot line functioning at more than 280,000 amperes. At Dunkirk and the other recent smelters, the group brought into operation the first complete sets of pots running on a direct current of 300,000 amperes.

This technology makes the smelters the most productive in the world, Pechiney claims. Dunkirk, for example, produces 400 tonnes of aluminium a year for each one of the 550 members of the workforce.

The 300,000 amperes technology was a step up from the previously offering. About 80 per cent of the smelters built since 1985 use Pechiney's 280,000 amperes technology.

An executive at one of the new smelters said: "Pechiney's 280,000 amperes technology is absolutely perfect and we assumed that the new technology would be the same. Our expectations were too high but, even so, Pechiney's image has been dented a little by all this".

Nevertheless, Alusaf of South Africa, the aluminium producer in the Gencor group, although given the choice by Pechiney of 300,000 or 280,000 amperes technology, is still opting for the former for a new $2bn, 466,000-tonnes smelter near its existing operations at Richards Bay. Mr Francois Prins, Gencor's senior manager, intelligence and strategy, said the opportunity to lift productivity from the present 80 tonnes per man a year to 400 tonnes was irresistible and, in any case, Pechiney was giving certain guarantees with the technology.

Contract security is main concern of UK dairy farmers

By Deborah Hargreaves

UK DAIRY farmers are more concerned about the security of their supply contracts with dairy companies when the industry enters a free market next April than they are about price, according to a survey published today in Farmers Weekly magazine.

The survey of 918 farmers found that 87 per cent of them were worried about security – in view of the fact that contracts to supply dairy companies and Milk Marque, the successor to the Milk Marketing Board, run for only one year – and 79 per cent were concerned about prices.

Milk Marque has wooed farmers by holding out the hope of higher prices for their milk. And large dairy companies such as Northern Foods and MD Foods have responded by suggesting that they will pay a premium over the Milk Marque price.

But farmers appear to be looking for arrangements with a longer life than the 12 months generally on offer, and half of those surveyed said they did not trust the dairy companies to protect their interests.

The poll found that farmers could choose between 19 options for selling their milk among large and small dairies, local groups and Milk Marque. Among those who had already decided which organisation to link up with in the new free market, 71 per cent said they would stick with Milk Marque and 4 per cent opted for the Northern Milk Partnership, which has been set up by Northern Foods.

Farmers were almost equally split on whether they would agree to have their milk collected on alternate days as the Milk Marketing Board has suggested – 52 per cent said they woud consider it and 47 per cent refused.

Japanese jewellery demand boost forecast for platinum

MR BARRY Davison, managing director of South Africa's Rustenburg Platinum Mines, expects Japan's total platinum demand to reach between 63 and 64 tonnes this year, compared with 56.3 tonnes in 1992, reports Reuter from Tokyo.

He forecast that the country's platinum jewellery sales would rise from last year's 40 tonnes to between 42 and 43 tonnes, thanks to healthy sales of lower-priced platinum jewellery.

Rustenburg, one of three platinum group metal producers within the Johannesburg Consolidated Investment, is one of the world's biggest platinum producers.

"The growth in jewellery is expected to more than offset the reduction in the auto-catalyst sector," Mr Davison said. Platinum demand for exhaust-cleaning catalytic converters for Japan's flagging motor industry was expected to fall by about 2.5 tonnes in 1993 from 9.5 tonnes last year, he noted.

He added that the Japanese investment sector was likely to show resilience because of lower yen prices resulting from the national currency's strength against the US dollar this year. He declined to comment on expected price levels.

Having moved up strongly in the New York market overnight, the platinum price opened sharply higher in London yesterday. It edged up further during the day to reach $360.90 a troy ounce at the afternoon fixing, up $7.15 from Tuesday.

The rise was encouraged by the continued recovery in the gold price, which closed at $352.25 an ounce, up $4.65 on the day. Gold's rise was attributed to investment fund buying and short-covering following the recent sharp fall, which dealers said had left the market heavily oversold.

They also noted that the rally was encouraged by the return of physical demand form south-east Asia.

The dealers said that the platinum price had been overdue for a correction relative to the gold price as its premium over the yellow metal had narrowed sharply in the course of the recent general decline in precious metals markets. Immediately before gold retreated below the $400-an-ounce mark on August 6 platinum's premium had stood at $17.50, but that had shrunk to $6.50 earlier this week.

According to Finance Ministry statistics, Japan's total platinum imports for the first seven months of 1993 were 37.67 tonnes on a customs-cleared basis, against 35.54 tonnes in the same period last year.

US platinum consumption would also increase in 1993, mainly reflecting a recovery in car sales, Mr Davison forecast, while in Europe, demand would rise with the introduction of new regulations requiring all new cars to have catalytic converters, despite a drop in motor sales. He said he saw a slight increase in overall demand.

Platinum supply will also get a boost from greater South African output, he said. "Overall, 1993 demand/supply of platinum will more or less be in balance."

Mr Davison thought it was unlikely, however, that prices would rise dramatically for the time being. "I don't see any major improvement in commodity prices in general, platinum group metals and nickel included, until there is clear evidence of a sustainable recovery in the world economy," he said.

"Once such a recovery is under way, which will probably not occur for another 12 months, I do see the prospect of platinum group metal prices showing steady improvement," he added.

Volcano pushes Patagonian sheep over the brink

After years of struggle the eruption was the last straw for many, writes John Barham

THE SHEEP farms of Patagonia are gradually disappearing. Sheep farming, the only agricultural activity the barren, windswept steppes can support, has become a ruinously loss-making business. Farmers burdened by rising debts and falling incomes are abandoning their properties in increasing numbers.

Patagonia's sheep sector began declining in the 1960s, but the downturn accelerated dramatically two years ago. The collapse in the international wool market – a glut has driven prices to the lowest point in living memory – coincided lethally with spreading desertification, a radical shift in government economic policy and natural disaster.

On August 13, 1992, Mount Hudson, a volcano high in the Chilean Andes erupted, spewing vast quantities of ash over the southern half of Patagonia. The ash ruined the sheep's wool, making it worthless, and transformed areas of the province of Santa Cruz into wasteland. Sheep could not graze on the ash-covered land and slowly died.

Mr Jimmy Patterson, a wool trader and descendant of the Scottish farmers who first introduced sheep to Patagonia from the nearby Falkland Islands in 1885, says the ash made his parents close their 30,000-hectare family farm on the east coast of Santa Cruz. Last year, 452 farms covering 8m hectares in Santa Cruz went the same way. For most of them, the eruption was the *coup de grâce* that followed years of mounting losses.

Closures are common elsewhere in Patagonia and Mr Juan Ventura, who owns three farms, says they will become more frequent. "You don't see the effects immediately. What is happening is that farmers are consuming their capital. They're not spending on maintenance. Eventually they go bankrupt."

Many farmers are trying to hang on. Mr Raul Assef, who owns a 1,500-hectare farm on the western edge of Patagonia, says "both my wife and I work in town and use our wages to cover the loss of running the farm. You never know what might happen in this country and the market might even recover one day".

Patagonia's isolated farms cover huge areas but can only support small flocks, making them expensive to run. In arid central Patagonia a sheep needs 5 ha to graze on and farms of 2,500 ha are common.

Few farmers can afford the investments needed to improve efficiency or switch over to more profitable cattle farming. Those who can are expanding their cattle herds, now that Patagonia has been declared free of foot-and-mouth disease. Beef "imports" from the infected north are banned, allowing local producers to charge premium prices.

Others are branching into flower or fruit production. In the watered, protected mountain valleys to the west, strawberries, boysenberries and raspberries grow well. The government is negotiating a joint World Bank and Inter-American Development Bank loan for an irrigation project in the east of the province.

Even if wool prices do recover, Patagonia's farmers will not be able to raise output much. A century of over-grazing has devastated the central plateau, which covers about one third of Argentina's territory. Desertification is a serious problem.

The arid plains are framed by distant low-lying hills and dotted with occasional termite hills The stony soil is covered with khaki-coloured shrubs and tufts of tough grass. Occasionally, small groups of sheep can be seen searching for foliage.

Mr Guillermo Defosse, economic development under-secretary in the province of Chubut, says that although the region's wool is considered to among "the finest in the world, little consideration was given to the vegetation and the soil which supported that production".

Production this year is forecast at 90,000 tonnes, 13 per cent less than last year. In Chubut, wool production has fallen to 18,000 tonnes in 1992 from 26,833 tonnes a decade earlier.

Argentina's adoption four years ago of free market policies compounded these setbacks. The government abolished its hated agricultural export taxes and reduced other taxes. But its anti-inflation policies led to a strong revaluation of the currency, reducing export revenues and increasing costs.

These policies hit farmers throughout Argentina, but few are suffering as much as those in Patagonia. Federal and local governments are helping with cheap loans, subsidies, grants and tax breaks worth over US$75m are available to support or convert farms to other activities.

Policy is confused, however. A Chubut official said "one department wants small farms to merge to reduce stocking levels and another encourages them to survive by sharing equipment or through credit unions". He also recognises that the government has done little to introduce modern farming and water-management methods that are less harmful to the land.

Although the disappearance of Patagonia's sheep farms is leading to the depopulation of a vast area of the country and creating serious social problems, it could at least have the long-term benefit of relieving pressure on the land and slow the advance of desertification.

WORLD COMMODITIES PRICES

MARKET REPORT

COPPER prices fell sharply on the lLondon Metal Exchange in after hours trading, pressured by a savage contraction in the cash premiums, dealers said. The cash to three months premium narrowed from $60 to $20 in about 30 minutes, as influential quarters, believed to be linked to the recent squeeze, lent metal (sold cash and bought forward). The cash price was last traded at $1,875 a tonne, down from $1,928 on Wednesday and more than $2,000 just over a week ago. The three months price ended at $1,850 a tonne, down $31.50 and $100 below the level reached at the height of the squeeze. One possible reason for the sudden collapse in the tightness was talk that the major Far Eastern company believed to be supporting the market had concluded a large long-term physical pricing deal. Among the other LME contracts Tin's inexorable slide continued, establishing fresh 20-yea lows, and nickel moved ominously close to the $2-a-lb mark that some analysts have suggested will trigger substantial production cuts. The three months price closed $80 down at $4,437.50 a tonne, equivalent to $2.01¼ a lb.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Nov)		+ or -
Dubai	$13.85-3.91z	+0.04
Brent Blend (dated)	$15.40-5.42	+0.07
Brent Blend (Nov)	$16.00-6.02	+0.04
W.T.I (1 pm est)	$17.21-7.23z	+0.04

Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$185-187	
Gas Oil	$166-168	
Heavy Fuel Oil	$60-62	
Naphtha	$146-148	
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$352.25	+4.65
Silver (per troy oz)♣	409.5c	+8
Platinum (per troy oz)	$360.90	+7.15
Palladium (per troy oz)	$119.75	+2.25
Copper (US Producer)	89.5c	-0.5
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	11.23m	-0.02
Tin (New York)	208.5c	-1
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	119.46p	-7.64*
Sheep (live weight)†♣	79.81p	-1.55*
Pigs (live weight)†	64.74p	-4.52*
London daily sugar (raw)	$258.8	+6.6
London daily sugar (white)	$281.3	-1.8
Tate and Lyle export price	£278.0	+5.5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£120u	
Wheat (US Dark Northern)	£165.0u	-1.5
Rubber (Oct)♥	58.25p	-0.5
Rubber (Nov)♥	58.50p	-0.5
Rubber (KL RSS No 1 Jul)	212.5p	-1.5
Coconut oil (Philippines)§	$420.0v	+2.5
Palm Oil (Malaysian)§	$357.5u	
Copra (Philippines)§	$290.0	
Soyabeans (US)	£187.0	-1
Cotton "A" index	55.50c	+0.5
Wooltops (64s Super)	326p	+8

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Nov v-Sep/Oct u-Oct t-Oct/Dec x-Aug/Sep ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♣Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR – LCE ($ per tonne)

White	Close	Previous	High/Low
Dec	273.30	268.20	272.50 267.50
Mar	274.80	271.70	274.00 270.70
May	278.00	274.90	274.00 273.50

White 872 (2118) Paris- White (FFr per tonne): Dec 1525.84 Mar 1549.45

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Nov	15.98	15.98	16.10 15.97
Dec	16.26	16.29	16.35 16.25
Jan	16.49	16.53	16.60 16.48
Feb	16.74	16.73	16.79 16.70
Mar	16.94	16.88	16.98 16.93
IPE Index	15.82	15.76	

Turnover 11553 (47655)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Oct	160.75	160.50	161.50 160.50
Nov	162.50	162.00	162.75 161.75
Dec	163.75	163.75	164.25 163.25
Jan	165.25	165.00	165.25 164.50
Feb	165.25	165.00	166.00 164.75
Mar	164.25	163.75	164.00 163.75
Apr	162.50	162.00	162.50 161.75
May	161.50	161.25	161.75 160.50
Jun	159.75	158.75	160.00 158.50

Turnover 9767 (13360) lots of 100 tonnes

Fruit & Vegetables
New season apples are this week's best fruit buy, reports the FFVIB. English Cox's Orange Pippins are 35-55p a lb and Worcester pearmains are 25-50p a lb. French apples are also in abundance, with Golden Delicious at 30-40p a lb. English, Dutch and Belgian Conference pears are another good buy at 25-50p a lb, and Italian Williams pears are 30-55p a lb. This week's best vegetable buy is broccoli. UK and Dutch broccoli is terrific value at 30-80p a lb. English and Dutch leeks are 40-65p a lb. Lettuces are plentiful and are this weeks best salad buy, round lettuces are 20-30p and Iceberg lettuces are 35-60p.

COCOA – LCE £/tonne

	Close	Previous	High/Low
Sep	870		862 841
Dec	900	862	909 870
Mar	926	887	935 899
May	935	896	944 908
Jul	944	906	944 917
Sep	952	916	953 926
Dec	961	928	961 949
Mar	971	939	971 942
May	978	949	978 963
Jul	985	956	987 981

Turnover:25864 (12593) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Sep 15 890.13 (913.48) 10 day average for Sep 16 876.23 (871.86)

COFFEE – LCE $/tonne

	Close	Previous	High/Low
Sep	1351	1368	1354 1346
Nov	1291	1296	1292 1280
Jan	1276	1280	1277 1266
Mar	1264	1268	1263 1265
May	1260	1263	1262 1257

Turnover: 2264 (5469) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Sep 15 Comp. daily 73.59 (73.71) 15 day average 71.52 (71.25)

POTATOES – LCE £/tonne

	Close	Previous	High/Low
Apr	85.9	82.9	85.9 84.0

Turnover 33 (83) lots of 20 tonnes.

FREIGHT – LCE $10/index point

	Close	Previous	High/Low
Sep	1454	1460	1455 1450
Oct	1480	1500	1487 1471
Nov	1478	1495	1492 1474
Jan	1480	1495	1485 1471
BFI	1424	1424	

Turnover 269 (194)

GRAINS – LCE £/tonne

Wheat	Close	Previous	High/Low
Sep	101.75	100.50	101.50 101.50
Nov	103.00	102.55	103.25 102.90
Jan	105.05	104.65	105.20 105.05
Mar	107.00	106.50	107.30 107.00
May	109.10	108.65	109.45 109.00

Barley	Close	Previous	High/Low
Sep	100.85	100.70	101.00
Jan	104.90	102.40	105.00
Mar	106.95	104.55	107.25 107.00
May	107.90	106.75	108.30 108.00

Turnover: Wheat475 (371) Barley 50 (62).
Turnover lots of 100 Tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 32,133 lots
Cash	1119-20	1110-11		1114-15		
3 months	1139.5-40	1130.5-31	1140/1130	1134.5-35	1140-41	243,053 lots
Copper, Grade A ($ per tonne)						Total daily turnover 46,490 lots
Cash	1936-38	1927-30	1936/1930	1935-36		
3 months	1880-81	1879-80	1888/1866	1879-80	1871-72	175,596 lots
Lead ($ per tonne)						Total daily turnover 3,012 lots
Cash	379.5-80.5	382-83		379-80		
3 months	393.5-94	396-96.5	394/393	393-93.5	391-91.5	22,983 lots
Nickel ($ per tonne)						Total daily turnover 18,058lots
Cash	4385-90	4460-70		4399-400		
3 months	4435-40	4515-20	4490/4415	4448-50	4446-50	47,920 lots
Tin ($ per tonne)						Total daily turnover 2,584 lots
Cash	4410-15	4490-95	4395	4395-400		
3 months	4455-60	4535-40	4515/4440	4445-50	4450-55	10,384 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 12,680 lots
Cash	875.5-76.5	870.5-71.5	872.5	872.5-73		
3 months	891.5-92	887-88	892/887	889.5-90	891-91.5	78,882 lots

LME Closing £/$ rate:
SPOT: 1.5328 3 months: 1.5225 6 months: 1.5143 9 months: 1.5066

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	352.00-352.50	
Opening	348.80-349.20	
Morning fix	350.40	228.313
Afternoon fix	352.75	230.405
Day's high	353.00-353.50	
Day's low	348.50-349.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.70	6 months	2.60
2 months	2.64	12 months	2.61
3 months	2.61		

Silver fix	p/troy oz	US cts equiv
Spot	262.15	405.70
3 months	265.95	408.75
6 months	269.45	411.95
12 months	276.40	419.25

GOLD COINS

	$ price	£ equivalent
Krugerrand	349.50-351.50	225.00-227.00
Maple leaf	362.85-365.20	-
New Sovereign	82.50-85.50	53.00-56.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Jan	Oct	Jan
1100	25	55	7	17
1125	11	40	18	26
1150	3	28	35	39

Copper (Grade A)	Calls		Puts	
1900	27	54	31	75
1950	10	36	63	106
2000	2	22	106	142

Coffee LCE	Nov	Jan	Nov	Jan
1200	123	135	32	58
1250	92	107	51	81
1300	67	84	76	108

Cocoa LCE	Dec	Mar	Dec	Mar
775	131	168	6	17
800	110	148	10	22
825	90	130	15	29

Brent Crude	Nov	Dec	Nov	Dec
1650	28	54	71	73
1700	12	32		
1750	5	21		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	352.6	347.5	0	0
Oct	353.0	347.9	353.5	350.5
Nov	353.8	348.7	0	0
Dec	354.7	349.6	356.0	352.0
Feb	356.4	351.3	357.8	354.0
Apr	358.0	352.9	358.1	357.8
Jun	359.6	354.5	359.1	358.8
Aug	361.3	356.1	356.3	356.3
Oct	363.0	357.8	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	360.3	357.1	363.5	359.0
Jan	362.3	359.1	365.0	361.0
Apr	363.8	360.6	365.5	365.5
Jul	365.3	361.6	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	406.7	397.6	411.0	405.0
Oct	407.6	398.7	0	0
Nov	409.5	400.8	0	0
Dec	409.7	400.8	415.0	408.5
Jan	410.0	401.1	0	0
Mar	413.9	404.9	417.5	410.0
May	416.9	407.8	420.0	415.5
Jul	419.7	410.5	420.0	418.0
Sep	422.5	413.2	0	0
Dec	427.0	417.6	430.0	425.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	80.35	81.95	82.40	80.30
Oct	80.50	82.05	82.70	80.50
Nov	80.85	82.20	82.15	82.15
Dec	81.05	82.45	82.95	80.80
Jan	81.25	82.55	81.70	81.70
Feb	81.45	82.70	0	0
Mar	81.65	82.85	83.30	81.50
Apr	81.95	82.95	0	0
May	82.25	83.05	83.70	82.50
Jun	82.40	83.15	83.00	83.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	16.82	15.86	16.99	16.78
Nov	17.20	17.24	17.34	17.15
Dec	17.50	17.57	17.67	17.60
Jan	17.80	17.84	17.92	17.78
Feb	18.03	18.07	18.12	18.03
Mar	18.23	18.27	18.28	18.20
Apr	18.35	18.46	18.50	18.36
May	18.57	18.61	18.66	18.57
Jun	18.73	18.75	18.77	18.73
Jul	18.70	18.89	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	51.40	51.80	52.10	51.25
Nov	52.35	52.80	53.10	52.25
Dec	53.35	53.75	53.90	53.25
Jan	54.00	54.40	54.55	54.00
Feb	54.25	54.75	54.75	54.20
Mar	54.00	54.25	54.20	53.90
Apr	53.15	53.45	53.30	53.15
May	52.70	52.70	0	0
Jun	52.05	52.30	52.00	52.00
Jul	52.55	52.55	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1179	1158	1195	1170
Mar	1226	1207	1244	1219
May	1251	1229	1261	1240
Jul	1272	1253	1278	1260
Sep	1292	1273	1299	1283
Dec	1314	1300	0	0
Mar	1338	1326	1334	1334
May	1361	1343	1357	1341
Jul	1372	1358	1358	1358

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	79.10	79.65	80.00	79.00
Dec	81.50	82.10	82.40	81.20
Mar	83.70	84.35	84.50	83.60
May	84.85	85.20	85.50	84.90
Jul	86.00	86.25	86.00	86.00
Sep	87.15	87.40	0	0
Dec	90.45	91.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.66	9.75	9.77	9.64
Mar	10.06	10.13	10.14	10.04
May	10.16	10.18	10.22	10.14
Jul	10.23	10.27	10.28	10.23
Oct	10.28	10.30	10.34	10.28

COTTON 50,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	57.00	56.93	57.00	56.50
Dec	58.75	58.66	58.80	58.05
Mar	60.35	60.00	60.40	59.56
May	60.85	60.60	60.86	60.30
Jul	61.50	61.45	61.35	61.20
Oct	61.75	61.55	0	0
Dec	62.10	61.75	62.10	61.69
Mar	62.00	62.25	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	123.00	118.40	123.00	118.40
Nov	124.85	120.55	124.75	120.50
Jan	126.75	123.10	127.00	123.20
Mar	128.25	124.75	128.25	125.00
May	129.25	125.45	0	0
Jul	130.25	125.95	130.25	128.55
Sep	130.55	126.45	0	0
Nov	130.55	126.45	0	0
Jan	130.55	126.45	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Sep 16	Sep 15	mnth ago	yr ago
1639.4	1634.4	1614.5	1560.5

DOW JONES (Base: Dec. 31 1974 = 100)

	Sep 15	Sep 14	mnth ago	yr ago
Spot	121.72	121.74	123.46	119.47
Futures	125.63	125.53	125.38	116.82

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	640/4	640/0	645/0	635/0
Nov	629/4	631/4	634/0	623/4
Jan	634/6	636/4	639/2	629/4
Mar	640/0	642/0	644/4	635/4
May	643/0	645/0	646/0	638/2
Jul	645/2	647/4	650/4	641/0
Aug	643/0	645/0	645/4	640/0
Sep	626/0	628/0	630/4	626/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	23.18	22.98	23.35	22.88
Oct	23.19	22.99	23.38	22.87
Dec	23.31	23.16	23.47	23.01
Jan	23.36	23.22	23.50	23.06
Mar	23.38	23.26	23.52	23.13
May	23.31	23.28	23.45	23.15
Jul	23.27	23.24	23.35	23.12
Aug	23.00	23.05	23.15	22.95

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	197.9	199.4	199.0	196.5
Oct	195.4	197.2	197.3	194.5
Dec	195.3	197.4	197.4	194.4
Jan	195.9	197.9	198.0	195.3
Mar	198.7	199.8	199.8	197.2
May	199.4	200.7	201.0	198.7
Jul	201.6	202.3	202.5	199.8
Aug	201.4	201.8	202.2	200.3

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	239/0	232/6	236/0	232/2
Dec	238/4	238/6	239/4	237/0
Mar	246/2	246/2	247/2	245/0
May	251/4	251/4	252/6	250/4
Jul	254/4	254/4	255/6	253/4
Sep	250/2	249/6	251/0	250/0
Dec	245/4	245/4	246/4	244/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	300/2	298/6	302/2	298/0
Dec	309/6	309/0	312/4	307/6
Mar	314/2	313/0	316/4	311/6
May	310/4	309/2	312/4	308/6
Jul	304/0	302/6	305/0	301/6
Sep	308/0	306/6	0	0
Dec	317/0	316/6	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	74.400	74.900	74.800	74.350
Dec	74.775	75.050	75.025	74.625
Feb	75.650	75.925	75.900	75.500
Apr	76.425	76.600	76.600	76.275
Jun	72.925	73.025	72.975	72.725
Aug	71.750	71.825	71.800	71.650
Oct	72.600	72.625	72.650	72.525

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	49.725	48.875	49.850	48.725
Dec	48.325	47.775	48.500	47.500
Feb	47.200	46.875	47.425	46.700
Apr	45.500	45.250	45.500	45.050
Jun	49.850	49.725	49.850	49.450
Jul	48.800	48.700	48.750	48.450
Aug	47.450	47.300	47.450	0
Oct	43.650	43.600	43.650	43.650

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	50.300	49.650	50.500	48.600
Mar	49.875	49.050	49.950	48.350
May	50.500	49.100	50.500	49.150
Jul	50.350	48.825	50.500	48.900
Aug	49.950	48.825	48.850	0

FINANCIAL TIMES SURVEY

INTERNATIONAL MERGERS & ACQUISITIONS

Friday September 17 1993

Hostile takeovers are out, joint ventures, alliances and negotiated deals are in, **Tracy Corrigan** writes. There has been a persistent trickle of deals so far this year – and there are new opportunities in the emerging markets of Asia and eastern Europe

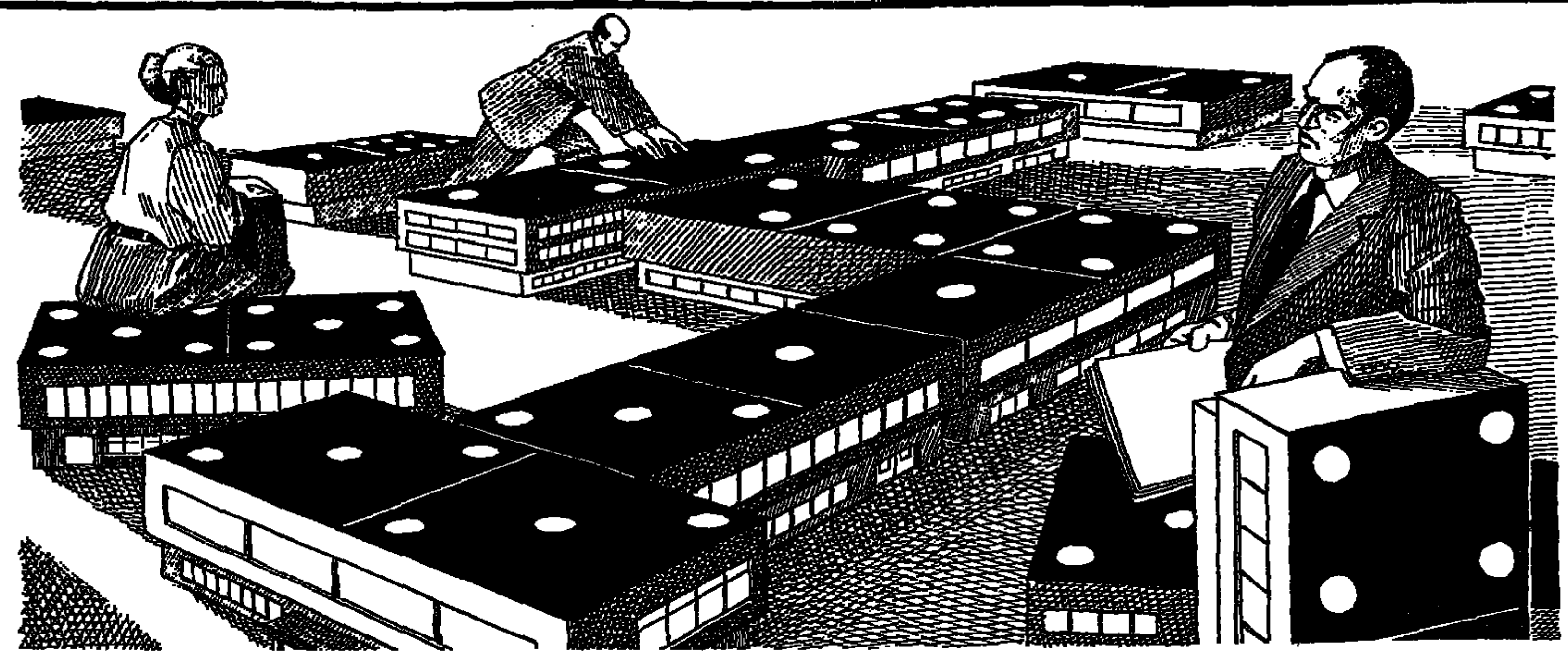


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Illustration by Joe Cummings

New-style deals appear

BOOMING stock markets and low interest rates spell better times for the international mergers and acquisitions business. Although no one expects activity to return to the frenetic pace seen in the 1980s, some recovery in the volume of traditional M&A deals is becoming apparent.

While the lucrative fees earned by hostile takeovers are not expected to return, there are new types of business for banks, more suited to the business cycle of the 1990s. There has been "a shift from very transaction-oriented business in the 1980s, back to a relationship-orientation," says Mr Stephen Waters, head of investment banking in Europe and co-head of Morgan Stanley International.

There will also be "less expansion into new business areas, more building-up of core business," says Mr Richard Sapp, a managing director of M&A at Goldman Sachs.

The increase in international competition, as barriers between markets have fallen, has focused business leaders' attention. It has become more difficult for companies to compete on an international scale, forcing them to be more alert to opportunities to plug geographical holes.

Large companies expanding overseas are looking for acquisitions which fit strategically with their main business and provide economies of scale which help cope with the strains of operating internationally They are keen to look at options other than acquisition, such as joint ventures.

But those companies which are starting to look round for strategic acquisitions remain very cautious about paying over the odds.

"The main question is: does this make sense strategically. Companies want first to pay less premium, and second to bind economic interests together," says Mr Piers von Simson, a director of Warburg.

Sentiment continues to turn against the conglomerate, as companies take the view that in order to remain competitive they need to focus on their core business. Some companies are still de-gearing, after building up debt too rapidly in the 1980s; this may involve divestitures, or "unbundling". "There has been a lot of restructuring in Europe," says Mr Stephen Brisby, head of corporate finance at UBS, which consists in part of "undoing things that were done in the 1970s and 1980s."

In the US and the UK, the process of unbundling in order to refocus on core business is well under way, but there is likely to be a substantial growth in activity in continental Europe in the next few years.

The most important demerger of the year was ICI's flotation of its pharmaceuticals division to form a new company, Zeneca. The move was followed by Pearson, which is demerging its Royal Doulton china company in order to concentrate on its media and publishing interests. Other similar deals are expected to follow.

"Companies with disparate businesses are asking themselves whether they are worth more together or apart," says Mr von Simson. "In Europe, there are a lot of conglomerate holding companies, which trade at a discount, like investment trusts."

He thinks that UK and US companies have been forced to re-evaluate their structure at an earlier stage because they went into a cyclical downturn earlier – and generally have more vocal shareholders.

But, as the ownership of shares in European companies becomes increasingly international, the focus on share price performance and dividend growth is also set to increase.

Many prominent continental European companies are still run as conglomerates – for example, Daimler-Benz, which runs not only a car and aerospace business but also a washing machine manufacturer.

The growing competitiveness brought about by the breakdown in barriers between markets in capital-intensive industries has also fuelled activity as leading companies seek to consolidate their positions.

"In publishing and pharmaceuticals, for example, every opportunity has been crawled over by the leading companies in the sector," says Mr von Simson.

Pressures for consolidation are also set to increase in the banking and insurance sectors across Europe. Mr Waters at Morgan Stanley says that there has been a blurring of the lines between some industries, such as insurance and banking, and media and technology. For example, there have been deals between telecommunications and computer hardware and software companies.

Privatised utilities in the UK are proving themselves keen to expand overseas. For example, the water companies are moving into pollution control and the electricity generators are buying overseas electricity companies.

The consolidation of the airline industry also still has some way to go: the most important deal currently in the making is the joint venture of four European airlines, SAS, KLM, Swissair, and Austrian Airlines .

But the European single market has not proved as great a catalyst as predicted, although a number of sectors, such as insurance, have seen pan-European consolidation.

The European super-company has not materialised, but links such as Renault and Volvo and Reed and Elsevier may point the way. However, some bankers think that joint ventures are inherently unstable and will either lead to full scale integration – as in the case of Renault and Volvo – or collapse.

In continental Europe there are many smaller family-owned companies under pressure to expand their businesses in order to compete, but with no access to the necessary capital. Increasing numbers of such companies are likely to go public, or to be sold off to larger groups, bankers believe – although the process has already lagged behind their expectations.

Throughout Europe, a wave of privatisations is about to break – with an estimated price tag of more than $100bn over the next four or five years, according to Morgan Stanley Research. Although most governments claim to be ideologically motivated, a crucial factor is that the receipts from privatisation will help plug the worsening budget deficits faced by most European countries.

"There is not a country in Europe which is not contemplating some form of privatisation of its telecommunications industry," says Mr von Simson. "The capital requirements are enormous. How will the Bundespost be able to finance the modernisation of former East Germany's telecommunications system, at a cost of DM60bn?"

Analysts are also predicting more airline, railway and toll road privatisations. As the process of privatisation becomes more sophisticated – for example, governments can choose between selling off companies, or stakes in companies, publicly or to other companies – the role of investment bankers has increased.

Bankers are also giving increasing attention to the emerging markets, which are expected to be a source of growing activity. Some Latin American deals have already taken place, most notably the acquisition by Cemex, Mexico's cement company, of Spain's two largest cement companies.

But the developing markets in the Far East are the subject of the greatest enthusiasm among bankers, particularly China, where the combination of the shift towards capitalism and the potentially enormous market for distribution are fuelling interest.

"Europe offers the opportunity to buy into a mature market, and values are now more attractive, says Mr Sapp at Goldman. "But the far east is the great expansion opportunity."

However, most markets remain highly restrictive in terms of foreign ownership, or have few sizeable companies.

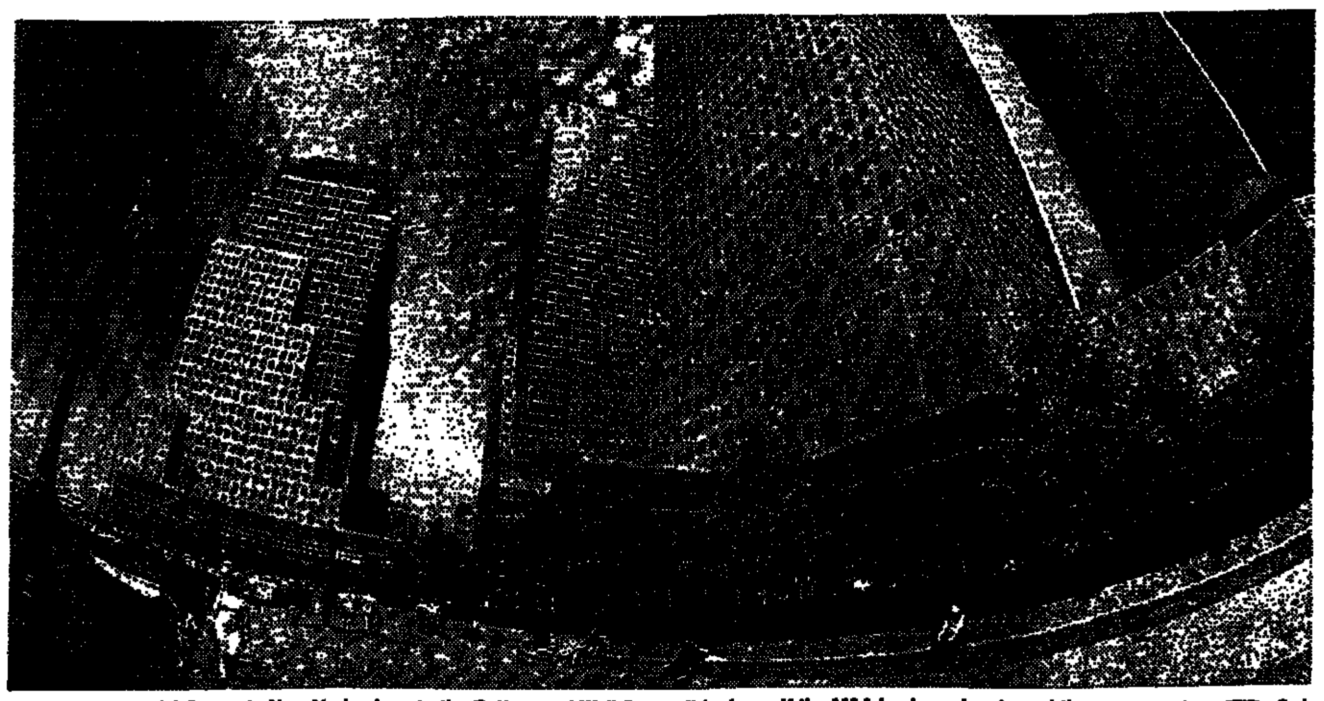
"The far east may be the market of the future but entry is through green-field (or start-up) operations because with very few exceptions there is nothing to buy, or if there is, it is impossible to buy it," says Mr von Simson.

But of all the emerging markets, Eastern Europe has proved the most difficult nut for M&A advisers to crack. Relative to expectations, the level of activity remains low, and bankers are rather pessimistic about any immediate improvement in prospects.

Acquisitions are not always the most attractive way to move into Eastern Europe, according to Mr Klaus Diederichs at JP Morgan. "In the food industry, for instance, what you are paying for in an acquisition is brand, distribution and product – none of these do you get in Eastern Europe."

After a difficult start to the decade, therefore, the mergers and acquisitions business appears to be finding a new sense of direction, more in tune with fundamental economic trends. The growth of business in the emerging markets, and through large privatisation programmes, has provided the M&A business with a useful fillip.

The buzzwords of the 1980s – the LBOs (leverage buy-outs) and the HLTs (highly-leveraged transactions) – have given way to new catch phrases, such as rationalisation, relationship-banking and core business.


The World Financial Centre in New York, close to the Battery and Wall Street: it looks as if the M&A business has turned the corner *Picture: FT/Glyn Genin*

The New York scene is flourishing again, writes **Patrick Harverson**

Bank financing is back

IT may not compare with the frenzy of the late 1980s, but the mergers and acquisitions business in the US is flourishing this year.

As of August 23, almost 4,000 mergers, acquisitions and purchases of minority stakes worth a total of $137.8bn had been completed in the US; a big improvement on last year. So big, in fact, that the total for the first eight months of 1993 has already surpassed the $137.5bn (5,500 deals) racked up in all of 1992.

This is good news for Wall Street's M&A bankers. For two and a half years they have watched their counterparts in booming securities underwriting, sales and trading businesses grab all the glory. Yet even if the hectic pace in M&A is maintained for the rest of the year, 1993 will still fall short of 1988, when almost 4,000 deals worth $348.6bn were completed – the peak of the 1980s merger mania.

To the delight of the investment banking community, there have been some very large transactions among this year's crop of US deals. They include the $12.6bn acquisition of McCaw Cellular Communications by American Telephone & Telegraph; the $6bn acquisition of Medco Containment Services by the drugs giant Merck; the $4.3bn purchase of a 20 per cent stake in MCI Communications by UK telecoms group BT; and the $1.4bn stock-swap merger between Home Shopping Network and its rival the QVC channel. After four years of decline (see table), it looks as if the M&A business has turned the corner.

There are several reasons for the turnaround. By the end of the 1980s, companies were overburdened with debt, much of it raised at expensive rates during the M&A boom. Since then, aided by the lowest interest rates in more than three decades and a recession that forced companies to take drastic action, US corporations have been cleaning up their balance sheets – paying off costly debt with cheaper funds raised through equity issues or sales of low-interest debt.

With much of the debt restructuring out of the way, companies are in a better position to consider making deals again. As Mr Jack Levy, co-head of M&A at Merrill Lynch in New York, puts it:

"Companies feel their balance sheets are in order, and more importantly, they feel that the current level of cash flows are robust. Hence, they believe if they were to assume new leverage, they've got a level of confidence in the underlying cash flow necessary to support an acquisition."

Similarly, the economic and business background has improved enough to spur corporations into action. At the start of this year there was a lot of pent-up demand for deals from companies which had lain low during the recession and the faltering recovery.

Once it was clear that the economic recovery was established, interest rates were staying low, and business confidence was beginning to rebound, companies revived plans previously kept on the back burner.

Also, changes within companies, such as the introduction of rigorous cost containment programmes and efficiency drives, are complete, leaving management ready to build through acquisitions. As one M&A banker says: "A lot of these strategic deals we've seen have been in the works for some time."

The strength of domestic stock markets (at record highs throughout the summer) has also helped. High stock prices means acquiring companies have been able to use their own equity as financing. This has a down side – high stock prices also mean that companies are more costly to acquire.

The overall pool of financing capital, not just equity, has been growing. In particular, bank financing is back. Banks, coming off two of the most profitable years in their history, have put many of their troubles behind them, and are beginning to lend again.

Investors and shareholders have played their part in providing liquidity for the M&A recovery. Institutional investors hungry for decent returns on assets have been putting the money into deals and the once-shunned buyout funds. Shareholders have been forcing management to divest non-essential operations and focus attention and capital on core businesses. The result has been a growing number of mergers and de-mergers.

The rally in the high-yield market has also made it easier for companies to raise funds for deal-based expansion, and helped breathe new life into leveraged buyouts – which at one point looked as if they had been killed off as a form of deal-financing by the collapse of Drexel Burnham Lambert and the junk bond market in the late 1980s.

Specialist buyout firms have also returned, adding another source of liquidity. When British Petroleum recently sold its animal feed business, 30 financial firms joined in the bidding; the eventual winner was an investor group led by the Houston buyout firm the Sterling Group, which paid a hefty $425m for the BP unit.

Despite the delight at the revival of M&A business, no one compares today to the 1980s. Much has changed, not least the nature of the deals. The big theme this year has been companies making deals for solid, strategic and industry-specific reasons. Growth, market share, efficiency, and a need to be prepared for regulatory and structural changes have been the driving forces behind many deals.

Many industries, for example, are undergoing or face radical change. This is most notable in the telecommunications and healthcare businesses, where many of the biggest deals have occurred.

In the telecoms industry, AT&T's acquisition of McCaw, US West's purchase of a 25 per cent stake in Time Warner's cable and film business for $2.5bn, and BT's purchase of a big stake in MCI, were all about companies readying themselves for technological and structural change.

It has been a similar story in the healthcare industry. Columbia Hospital Corporation's $4.2bn acquisition of Galen Health Care, and Merck's purchase of Medco, were two deals concluded against the background of an impending revolution in the form of President Clinton's healthcare reform package.

The chief feature of this year's crop of M&A deals has been the absence of hostile takeover. This is partly a reflection of changing attitudes among corporate managers, and partly because the aggressive takeover advisers of the 1980s, like Wasserstein Perella and Kohlberg Kravis Roberts, are lying low.

The big question now is: how long can it last? A few factors are conspiring to keep the M&A business in check.

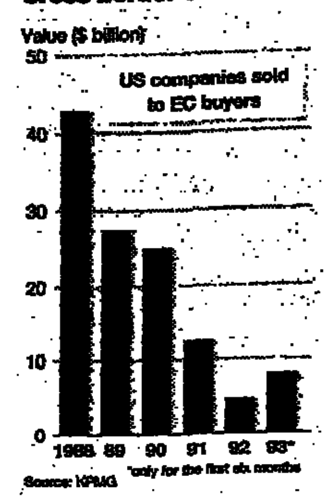
Chief among these is competition from the buoyant public market. Companies that might normally put themselves up for sale have been persuaded by the booming market in stock offerings to go public rather than resort to the private deal.

The fragile state of the recovery is also acting as a restraint. Deal-makers and corporate managers are reluctant to move until they are completely sure that the economy has entered a phase of long-term solid growth.

Yet, in spite of these reservations, bankers believe that the M&A business hit bottom last year and is now embarking upon a course of steady expansion. Mr Levy of Merrill Lynch says:

"My view is that we are at a new level, and that it is likely to be a sustainable level. Business has been somewhat spasmodic for the last couple of years, and my sense is that today more companies want to talk, and are taking seriously the idea of doing something on the buy side or sell side. That's the best barometer we have. Our backlog is up dramatically in terms of the number of deals and the quality of deals."

Cross border sales



Source: KPMG

US M&A

	Value $m	No of Deals
1987	209,478.1	3327
1988	348,616.6	3970
1989	311,186.6	5539
1990	179,898.7	5680
1991	139,016.8	5305
1992	137,477.7	5579

Source: Securities Data

Emiko Terazono investigates the restructuring of corporate Japan

Ailing companies need help

In the late 1980s, mergers and acquisitions for Japanese companies meant overseas expansion through the purchase of an international network, buying a US movie studio, or diversifying into new businesses.

But some corporations, facing the fourth year of falling profits and under pressure to restructure operations, now regard merger and acquisitions as a means of surviving the current economic slump.

As a result the opportunity now is the restructuring of corporate Japan.

Deals in which distressed companies are taken over by larger domestic companies are now the mainstream of M&A in Japan. Japanese companies' purchases of other Japanese corporations rose by 18.5 per cent in value last year. Ailing companies, hit by falling profits and higher capital costs – particularly smaller manufacturers and service businesses – are in need of assistance.

Earlier this year Nippon Steel, the country's largest steel company, indicated interest in buying a majority stake in NMB Semiconductor, a struggling electronics company. NMB was a subsidiary of Minebea, the world's leading maker of miniature bearings. Minebea entered the semiconductor market in 1984 as part of a diversification programme. However, the losses at Minebea made it impossible for the company to support NMB, which was hit by the sharp downturn of the world electronics industry.

A more recent rescue was that of Cosmo Securities, a second tier broker, by Daiwa Bank. Cosmo posted an extraordinary loss of Y69.8bn as a result of its *tobashi* deals (or shuffling of one client's account to another to avoid realisation of investment losses). Daiwa injected more than Y70bn through share purchases of Cosmo; it become its major shareholder, with more than a 50 per cent stake.

The government says that Daiwa's acquisition of Cosmo is an exception. Although banks have been allowed partial entrance into the securities industry since last April, the government has yet to allow commercial banks to hold stock broker affiliates. The ministry of finance also waived a rule which forbids banks to hold more than 5 per cent of a company.

However, the financial community is now placing bets on the next brokerage bailout, because the rescue of Cosmo comes at a time when smaller brokers, which depend on retail commissions for revenue, are in dire need of financial help, as trading volume of the stock market has plunged. Aside from the *tobashi* losses, Cosmo itself posted a pre-tax loss of Y150m for the first four months to July, as a result of the sluggish stock market.

Although the trend seems to be offering a chance for overseas companies looking to buy Japanese companies at cheap prices, the number of acquisitions by foreign companies has been limited. An official at Nomura Wasserstein Perella, the M&A subsidiary of Nomura Securities, says that although there are opportunities, there have been no large acquisitions, but small joint ventures, for strategic reasons.

According to a survey by KPMG Peat Marwick, purchasers last year included Ciba-Geigy, Atochem, and Philips. Eight out of 43 deals were in pharmaceuticals, seven in industrial machinery and chemicals, six in computers.

As for Japanese companies' acquisitions abroad, deals by value fell by 64 per cent last year. A market is emerging for the resale of foreign companies acquired during the late 1980s.

Japanese companies are still licking their wounds from rash investments made during the late 1980s when the Tokyo stock market was rising and capital was raised through equity linked funding at almost zero cost.

Fujisawa Pharmaceutical, which bought Lyphomed, a US drug maker, in 1990, has seen its consolidated profit plunge due to losses at the US subsidiary. Although the parent company is faring well as a result of its innovative drugs, the US operations are a large burden to the rest of the group.

The problems for Japanese acquisitions of overseas companies have not only been capital related, but also culturally oriented. The difference in management style has compounded the difficulties of relations between the new management and workers. Bridgestone, the tyre company which acquired Firestone, the US tyre manufacturer, five years ago, is seeing the US operations become profitable at last. Apart from outdated plant automation, the company's "kid glove" approach also hampered the arrival of benefits from the acquisition.

Absence of appetite for foreign acquisitions by Japanese companies has also prompted Treuhand, the agency responsible for the sale of former East German companies, to close its operations in Tokyo. However, Nomura Wasserstein Perella says that once the economy recovers, Japanese companies will once again look overseas. "There won't be the mega deals you saw in the late 1980s, but Japanese companies will still need to go overseas to survive," says an official. The high yen is also prompting Japanese companies to shift production outside Japan. Meanwhile, opportunities lie in industries in a consolidation phase, such as pharmaceuticals, chemicals, computer software, car parts, and foods.

Dealing with smaller companies may not be as straightforward as dealing with the more sophisticated, larger, Japanese companies. Last month Mikuni and Nippon Carbureter, two carburettor companies, suddenly announced the cancellation of their planned merger.

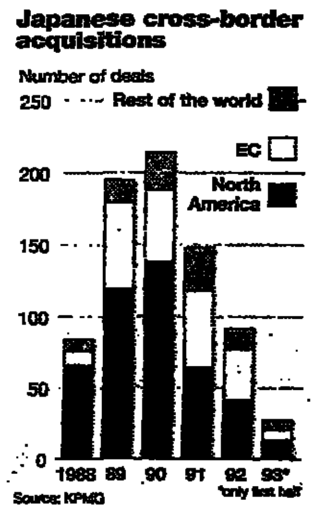
Car parts makers are being hit by sharp production cuts in the car industry, and the leading carmakers' shift of production to overseas plants. However, at the last minute Nippon Carbureter decided to cancel the merger as a result of opposition by some over-zealous board members.

M&A activity in Japan - (Ybn)

	1989	1990	1991	1992	1993*
Foreigners buying Japanese comps	22	3	48	27	12
Japanese buying foreign comps	2,899	2,583	710	254	106
Japanese buying Japanese comps	109	176	227	269	101

*Total for the first six months. Source: Yamaichi Securities

Japanese cross-border acquisitions



Source: KPMG

In Tokyo's Ginza financial district, the financial community is now placing bets on the next brokerage bailout

INTERNATIONAL MERGERS & ACQUISITIONS III

Profile: J P Morgan

Fast mover across Europe

IN THE past few years, while many other banks have cut back their mergers and acquisitions teams, JP Morgan, the blue-chip US bank, has taken a contrary approach.

"We have increased the resources dedicated to the business, and maybe faster than some of our peers," said Mr Rod Peacock, co-head of JP Morgan's European advisory group.

The cross-border European M&A business has relatively few big players. SG Warburg and Goldman Sachs are still considered the leaders of the pack, but JP Morgan is one of a small number of other participants that can claim to be genuinely pan-European; the bank has long-established bases in all the important European financial centres.

But while it is considered a market-leader in the securities business, JP Morgan is still not one of the first names to spring to mind in the context of European M&A activity.

The team has been built up from 10 to 60 professionals in the past four years - still a drop in the ocean of 4,500 JP Morgan staff in Europe. The European M&A team is based in London and staffed by pan-European industry specialists, with teams in all the main European centres.

The bank is positively viewed by its largely blue-chip clients

The aim is to "combine a global or pan-European industry view with local market execution," says Mr Peacock.

While claiming not to focus on league tables, the bank has nevertheless risen from nowhere to rank fifth in the 1992 list of financial advisers on cross-border European deals compiled by Acquisitions Monthly, the M&A trade magazine.

Although JP Morgan has been involved in the M&A market for many years, the bank was not a big hitter during the boom days of the 1980s.

"Our intent is to be a strategic adviser to our clients," says Mr Walter Gubert, now head of corporate finance in Europe, who headed up the thrust in recent years. "This is as true today as it was 10 years ago. JP Morgan's value-driven philosophy has not changed, but the evolution of the market and of shareholder attitudes has shifted the emphasis from the hostile deal to the complex industrially-driven transaction," he explained.

It is certainly true that JP Morgan has benefited from the greater emphasis on advisory work, and the virtual disappearance of the hostile takeover. "I get professional, client-centred advice, and that is what I want," says one company chairman.

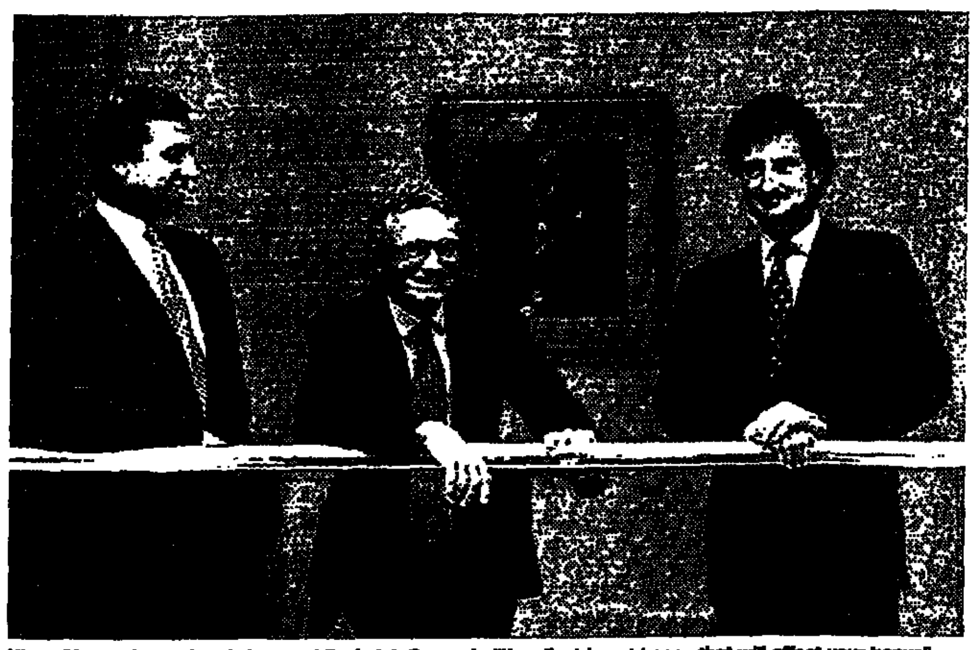
Current conditions - the emphasis on relationship banking, the need for industrial restructurings, the increase in international industrial competition, the focus on core businesses - favour that approach. "It is a positive cycle for us," says Mr Gubert.

Mr Klaus Diederichs, co-head of European advisory, says the acquisition, in 1991, by Marzotto of Italy of the majority stake in Hugo Boss, the German fashion manufacturer, from a Japanese group, is typical of the multi-dimensional nature of the advisory business in the 1990s. It required the close co-ordination of the bank's network in Asia and across Europe.

"It was JP Morgan's relationship with the buyer and its knowledge of the needs of the players in the industry which enabled the bank to move faster than its competitors to secure the deal for its client," says Mr Diederichs.

In an unusual step, Mr Gubert was appointed to the board of Hugo Boss, following the acquisition, to help the transition to new ownership. "This is an illustration of the client-focused nature of JP Morgan's advisory activity," says Mr Diederichs.

As an example of the firm's culture of putting the client first, Mr Gubert tells the story of going to see Sir Dennis Weatherstone, the bank's chairman, about a potential deal, and being cut short with a single question: "If you were the client, would you do the deal?"


Klaus Diederichs, Walter Gubert and Roderick Peacock: "If a client is not happy that will affect your bonus"

The idea of such team-spirit in a bank culture, where staff are traditionally ruled by the annual bonus, is rather hard to credit. Mr Gubert insists that it is possible. "We do pay bonuses on performance, but the most important measure of performance is the client's satisfaction. If a client is not happy that will affect your bonus," he says.

Among its peers, JP Morgan commands respect, but not awe.

"JP Morgan starts with a very good client base and a long-term orientation, both of which are needed in this business," says one M&A specialist. "They are good at the bread and butter stuff, but there are some gaps in their capabilities." For example, he adds, JP Morgan's historic exclusion from the equity business in the US meant that its equity distribution lagged other houses.

Another M&A specialist says that the most successful professionals in the market would not choose to work at JP Morgan. The more aggressive approach of other banks - and the larger pay packets - prove more attractive to many high-flyers.

Although JP Morgan sees its lack of involvement in the area of hostile bids as a strength, some of its competitors say that its lack of experience in this area means the bank has a less thorough feel for the market as a whole.

However, it is positively viewed by its largely blue-chip clients, many of which deal with the bank across a number of different areas.

"We have an ongoing relationship with JP Morgan, based on fact that they are more similar in character to us than other banks," says Reto Domeniconi, executive vice-president of Nestlé. The world's largest foods group was advised by JP Morgan in its recent acquisition of Italgel, the Italian ice-cream manufacturer sold as part of Italy's privatisation programme by state holding company IRI. "One has to tread carefully in Italy. We were at ease that they were well established in Italy, and that is why every thing went well," he adds.

Sir Christopher Hogg, chairman of Reuters, which was advised on its recent share buy-back by JP Morgan, says: "They have given me distinguished advice on at least four or five occasions." As chairman of the bank's UK advisory council, he is not now an unbiased witness, as he admits. However, he first came across JP Morgan in the late 1970s, when it proved "steady and unflappable" during the restructuring of Courtaulds.

Another client describes the bank as "solid, but not overly aggressive". Such a description, applied in the 1980s, would have perhaps been considered a slight. In 1993, it is intended as a compliment.

Tracy Corrigan

Profile: J Henry Schroder Wagg

When the going gets tough . . .

IN 1983 J Henry Schroder Wagg, the UK investment bank, was taught a horrible lesson.

One of its oldest and most valued clients, Thomas Tilling, faced a bid from BTR, the conglomerate. Not content with Schroders' advice, it turned to its rival, SG Warburg, with the parting explanation: "When you are fighting for your life you need the best".

Mr Win Bischoff, who was appointed chief executive at Schroders in the same year, says Tilling's defection "really hurt". But he also believes it was responsible for a renaissance at the bank - by teaching it that it could no longer afford to be complacent. "We were too relaxed, too reactive, and too remote," he says.

The more aggressive approach paid off: in the last 10 years the group's capitalisation has increased from £100m to more than £1.5bn.

Mr Bischoff decided early on in the 1980s that the bank would not try to do everything. "We like to think of ourselves as a relatively small flexible company." Corporate finance operations are still at the heart of the group.

At the time of Big Bang, most of Schroders' competitors chose the opposite route, which proved a mistake. An exception was SG Warburg. But it needed the capital to finance its new business in securities.

Schroders conserved its capital, and its family control, by staying out. Since it became a publicly listed company in 1961, the bank has never raised capital.

Because the bank makes a significant amount of money advising clients on tapping shareholders for cash, Mr Bischoff is the last person to criticise other banks for going down that path. But he believes Schroders is stronger for having conserved its capital and share structure - Mr Bruno Schroder's family owns almost half the bank, effectively giving them control.

Mr Bischoff says this has imposed important disciplines on the bank: "We have to focus on less capital intensive businesses."

One of his earlier decisions as chief executive was to sell its American bank. It made no sense for a London-based merchant banking group to be in commercial banking in New York, and Schroders switched from commercial to investment banking there, by taking a 50 per cent stake in Wertheim Schroder. In the long term, Schroders is likely to take full control.

Mr Bischoff says that joint ventures do not usually last forever. "In management terms there are advantages to be able to integrate our businesses in the United States."

In the UK, Mr Bischoff is content with the present structure. Analysts estimate that Schroder Investment Management, whose managed funds total more than £35bn, could account for up to two-thirds of Schroders' stock market valuation. If floated off it could further increase the share price.

But Mr Bischoff firmly resists such suggestions. "We do not need the capital - and furthermore, how could we better invest it?"

Schroder Ventures now accounts for 10 per cent of the bank's profits. Schroders recently reported after-tax profits of £64m, 23 per cent more than the previous year, excluding an extraordinary item. Mr Bischoff adds a cautionary note. The larger venture capital businesses become, the more often they may have problems in looking for an exit via a flotation. "It has not been an easy time for the capital venture business".

Having got this far, most banking analysts wonder whether Schroders can continue to grow. The view at SG Warburg is that Schroders lacks the distribution to become a serious threat outside the UK. As a rival puts it: "A merchant banker is only as good as his last conversation with a broker."

Mr Bischoff happily concedes that Schroders' distribution does not come close to that of Warburg's. But then he is happy to rent its stockbrokers. "Did you know we have more clients that use Warburg Securities than SG Warburg?"

But, some banking analysts say, that is fine when things are going well. When corporate finance deals start to go wrong, as in the aborted flotation of GPA Group, the aircraft leasing company, an investment bank needs a broker to tell it what is going on.

In Schroders' defence, Mr Bischoff says it was only the UK adviser. Nomura International was the global manager which (he believes) did and does lack international distribution. Furthermore, he says all the advisers, including the brokers to the GPA failed flotation, Barclays de Zoete Wedd, misjudged the market.

"No other bank would have got different soundings from the market" says Mr Bischoff. Warburg, however, turned down the opportunity of advising GPA on a flotation, which Schroders could not resist.

The GPA association did not appear to harm Schroders' reputation. Its continued association with the company, by helping with its restructuring, indicates how far it has come since it was abandoned by Thomas Tilling.

Roland Rudd

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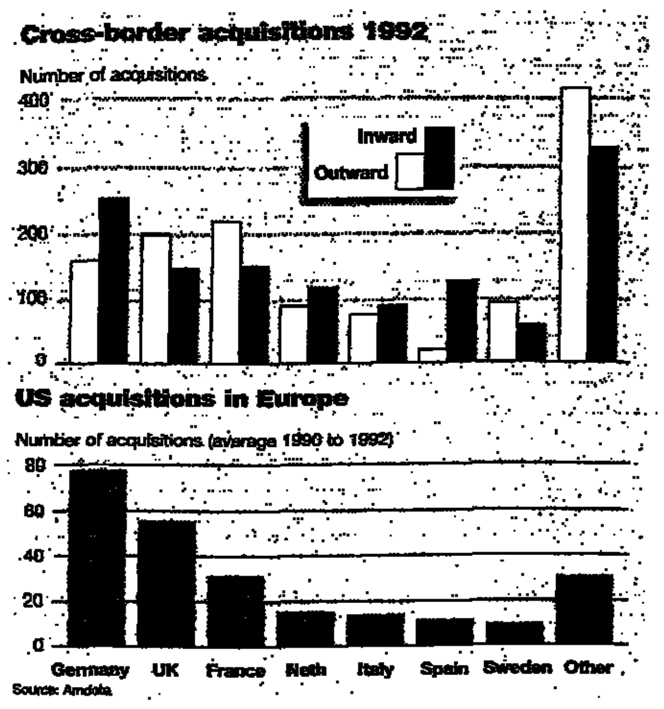
League table of advisers on European cross-border acquisitions completed between January 1 1993 and June 30 1993, ranked by value

	No. of deals	value in £m
1. Lazards (3*)	19	2,423
2. UBS (-)	11	1,773
3. Morgan Grenfell (8)	19	1,316
4. CSFB (12)	7	1,286
5. Morgan Stanley (14)	6	1,284
6. S G Warburg (1)	13	1,204
7. Credit Lyonnais (-)	4	1,043
8. Enskilda (10)	3	1,037
9. Schroders (11)	17	925
10. BZW (17)	9	925
11. Wasserstein Perella(-)	3	876
12. Goldman Sachs (2)	10	833
13. Lehmann Bros (16)	8	586
14. J P Morgan (5)	12	567
15. Salomon Brothers (-)	7	538

* Full Year rankings

Compilation criteria:
Advisers have worked on more than two transactions.
Target company or assets acquired western European (including the UK).
Acquiror of different nationality to target.
Deal completed between January 1 1993 and June 30 1993

Source: Acquisitions Monthly



Brian Bollen reports less, not more activity in the EC single market

Euro-predictions go awry

RECESSION is taking the brunt of the blame for the slowdown in European cross-border mergers and acquisitions.

When the single market came into being at the start of this year, many merchant and investment bankers confidently predicted that there would be a renewed wave of activity as companies faced up to the market's competitive pressures.

The evidence of the first few months shows that this has not happened.

Indeed, current wisdom is that much M&A activity executed under the banner of the single market was driven by other more traditional factors: the consolidation of mature industries, the search for global competitiveness or a quick increase in market share.

Many bankers reason that activity will recover when Europe's recessions end and that volume will be increased by privatisation, the deregulation of industry sectors, and by restructurings and non-core disposals in the need to increase solvency.

Euro-sceptics argue, however, that substantial acquisitions are taking longer to digest than first thought. Today there is a more realistic attitude towards the single market.

One prediction that has been borne out is the change in the nature of international corporate activity. Hostile takeovers are out, and a more co-operative approach, characterised by mergers, alliances and joint ventures, is in.

Underlining the effect of recession is the shift in the balance of power, from seller to buyer. On non-core disposals, you can kiss the old-fashioned auction approach goodbye, says Mr François von Hurter, co-head of European M&A at the Credit Suisse First Boston group. Life in the new world requires more flexibility and imagination on the part of bankers.

The recession contributed to a 40 per cent fall in the volume of cross-border M&A activity worldwide in the first half of 1993, according to the Deal Watch survey carried out by KPMG, the international accounting firm.

The survey recorded preliminary figures for cross-border acquisitions of $25.2bn in the first six months, compared with $42.2bn in the same period in 1992. French buying activity fell most, from $8.7bn to $428m. Although French companies have been the most enthusiastic buyers of companies in other EC countries (French purchases from 1988 to first half 1993 have totalled $35.7bn), the French recession dictates a cautious approach to investment. Survival rather than expansion is the priority.

Italian purchases also fell sharply. Investigations into political and business corruption are cited as the significant factors – while companies and senior executives are under suspicion of bribery, it is difficult for them to focus on large-scale foreign expansion.

The value of cross-border sales of EC companies nose-dived again in the first half of this year, to $12.3bn, after recovering to $42bn in the full year 1992, from $23.1bn in the full year 1991.

Japanese purchases of EC companies have declined rapidly since the peak year of 1990, when there were 50 deals, worth almost $3.4bn. In the first half of 1993, KPMG logged just seven Japanese purchases, worth a total of $34m. The most popular target sectors for Japanese companies buying into the EC in 1988-93 were hotels and catering, electrical and electronics, chemicals and pharmaceuticals, real estate and wholesale distribution.

US buying over the same period shows a different pattern, with purchases peaking a year earlier, when there were 221 purchases worth $12.1bn. That figure slumped in 1990, but has been recovering steadily ever since.

In the first half of 1993, KPMG recorded 88 US buys, worth a total of nearly $4.4bn. The main target sectors have been vehicle manufacturing, food, drink and tobacco, electrical and electronics, chemicals and pharmaceuticals and oil and gas. The UK has been everyone's favourite target EC country.

Bankers like to remind one, however, that the European single market is a marathon, not a sprint; its requirements will feature as an important consideration in the long term, if only because the EC is a long way behind the US in industry consolidation. Large-scale consolidation is widely predicted, for example, in banking and financial services, whether through alliances, cross-shareholdings or acquisition.

In five to 10 years there will probably be fewer independent banks and insurance companies in the UK, says Mr John Studzinski, managing director responsible for Morgan Stanley International's financial advisory business in Europe.

The Bank of England agrees that the expected benefits of the single market programme have yet to be fully realised in banking and financial services. In its most recent quarterly report the Bank says it is perhaps more apparent that early expectations were themselves rather unrealistic, especially on timing and the extent of the transformation that could be achieved within EC financial markets.

Institutions are continuing to make acquisitions and establish co-operation agreements, says the Bank. A number of factors could yet lead to a resurgence of activity. In the end, the single market programme may yet have a profound impact on the financial services sector within the EC.

In food and drink, Philip Morris of the US has carefully built up its European core business since the acquisition of Jacobs Suchard in 1990, notes J P Morgan. It followed up with the acquisition of Norway's Freia Marabou last year and Terry's of the UK this year – important moves to fill gaps in its product portfolio and geographic coverage. Many medium-sized food companies will continue to be acquired and consolidated into the majors, says Mr Studzinski.

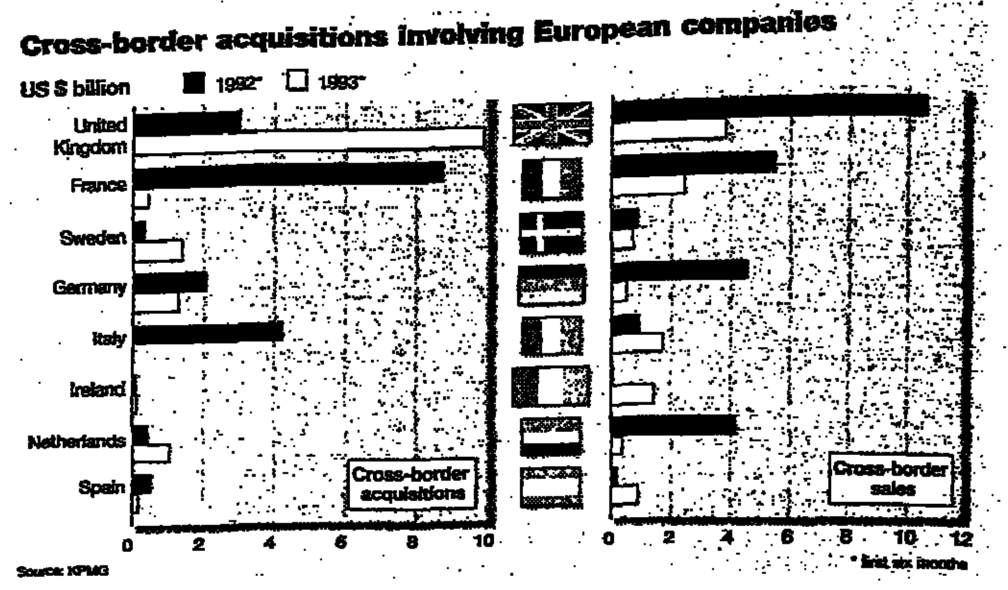
Retailing is tipped as a possible candidate for consolidation, too, although there is uncertainty about whether retailing can work well on a grand scale, and whether retailing concepts can be exported successfully. Judgment is reserved on the French forays of Kingfisher and Tesco. Kingfisher's purchase of Darty, an electrical retailer, and Tesco's purchase of Catteau remain an intriguing exception rather than a new rule.

The pharmaceuticals and personal healthcare sector has already seen large-scale international consolidation. Recent significant announcements were the joint ventures between the UK's Glaxo and Wellcome and Warner-Lambert of the US; but analysts say there are still too many medium-sized players. Heavy research and development bills will make it difficult for smaller companies to survive.

There are likely to be further consolidating moves in the European pharmaceuticals sector, says Mr Stephen Brisby, head of UBS's European corporate finance arm, which advised Italy's Montedison on the sale.

In deregulated growth industries, such as telecommunications, Bell Canada's purchase of a 20 per cent stake in Mercury Communications, a subsidiary of Cable & Wireless, is used to demonstrate the need for larger international players to buy in Europe to build market share.

The discussions between KLM, SAS, Austrian Airlines and Swissair are an example of much-needed industry consolidation, which has nothing to do with the single market, says Mr Rod Peacock, joint head of European M&A at J P Morgan.



John Thornhill finds that UK takeover activity is at a 25 year low

British bankers scramble to unbundle

WITH takeover activity in the UK at a 25-year low, merchant bankers have been scrambling around for new ways to make a living.

The last dribbles of the UK privatisation programme, a smattering of international joint ventures and the recent wave of rights issues have kept many of them occupied. But advising companies about the latest fashion for unbundling and restructuring a business is perhaps providing their most lucrative pastime.

Arguably, the trend began with BAT Industries in 1990; it decided to unbundle itself rather than face the predations of Sir James Goldsmith.

Merchant bankers were well rewarded for hiving off the Argos retailing chain and the Wiggins Teape Appleton paper business into separately listed companies. Since then they have been merrily trying to spot other companies which could benefit from more "focus". Courtaulds performed the same trick with its textiles business – and Racal did it with Vodafone.

In the past year, there have been several other examples of UK companies restructuring themselves with the aim of concentrating on discrete industries and releasing additional shareholder value:

■ ICI, the chemicals giant, has demerged its pharmaceuticals business, creating a separately listed FT-SE 100 company, Zeneca, capitalised at more than £6bn.

ICI argued that the deal was driven primarily by industrial logic: the demerger would enable both its chemicals and pharmaceuticals companies to develop more aggressively in their chosen markets.

■ Charter Consolidated has simplified its shareholding structure, and effectively bought its independence, by selling its 38 per cent in Johnson Matthey for £342m and buying out its own 36 per cent shareholder, Minorco, for £236m. The company claimed this would enable it to focus on expanding its core industrial concerns.

■ Richemont is untangling its international web of corporate assets, to create two separately-quoted tobacco and luxury goods businesses, Rothmans International and Vendôme. As well as releasing cash for both Richemont and other shareholders, the move should create more clearly delineated businesses with simpler shareholding structures.

This unbundling trend has resulted from a variety of pressures, other than the threat of takeover.

First, fund managers appear increasingly attracted to companies which "stick to their knitting". Big institutional investors have grown increasingly sophisticated at spreading risk and diversifying their own portfolios.

The traditional rationale for agglomeration – namely to smooth out cyclicality of earnings – is therefore dropping down the list of investors' needs.

Managers, too, appear to have learned from the excesses of the 1980s, when some companies went wild exploiting paper money and lax accounting standards to grow shaky businesses by means of acquisition. Management gurus now preach the steadier virtues of organic growth and "core competences".

Companies now seem more inclined to conclude agreed deals in related industries than make hostile approaches in unrelated sectors. This lessens the associated financial and managerial risks. Buyers are likely to have far more familiarity with the target company, and can undertake extensive due diligence.

As Ken Costa, director of merchant bankers S G Warburg, puts it: "In the 1980s you flirted with all the girls in the street and married someone from across town. This time, you flirt but marry the girl next door. You know all the family history and all the rows, because you are next-door neighbours."

The other important element in the equation, though, is the low inflation which prevails in much of the developed world. High inflation corrupted the value of cash, encouraging managers to *splash* out on assets as a hedge.

"The idea was that you could not hold cash, because inflation would erode its value. Instead, you invested in a huge capital base which would help you out by appreciating in value," says Mr Costa. "But there is now no embarrassment in giving back money to shareholders." Reuters has perhaps established a precedent in returning £350m of surplus cash to shareholders by means of its share buy-back scheme.

These changing corporate trends have important consequences for merchant bankers. They suggest that opportunistic hostile takeover bids, which formed their staple diet in the 1980s, will be infrequent.

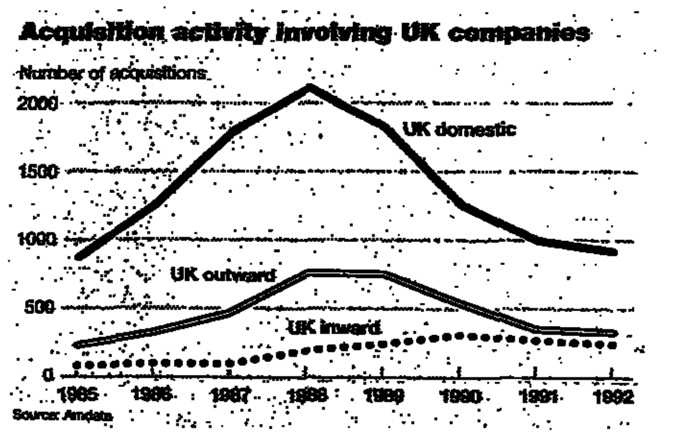
This may make life tricky for the small merchant banking boutiques, which are heavily reliant on the success fees derived from traditional M&A work. Companies seem likely to continue shedding peripheral businesses as they focus on their main areas of skill and knowledge. When expanding, they seem more likely to buy unwanted divisions of other companies than to launch bids for quoted assets.

The recent experience of the predatory MB-Caradon is perhaps illustrative of the trend. After scouring the stock market for any value in the quoted building materials sector, the cash-rich predator has homed in on an parcel of building-products assets owned by RTZ, which is slimming down to its core mining interests. Merchant banks need intimate contacts and a fair degree of lateral thinking to initiate and benefit from such deals. Those banks with strong analytical teams are perhaps best placed to spot the opportunities.

But the more austere climate of the 1990s will not necessarily put merchant bankers out of fashion. Asset reshuffles and corporate restructurings can prove just as profitable for merchant banks as takeover deals.

This is especially true if such deals span different countries' regulatory and tax regimes. The restructuring of Richemont's tobacco and luxury goods business provides a case in point. The reshuffle created two companies with twin listings on the London and Amsterdam, and London and Luxembourg, stock exchanges.

"What you lose in hostility, you make up for in complexity," Mr Costa says. "It just puts a premium on ingenuity and innovation."



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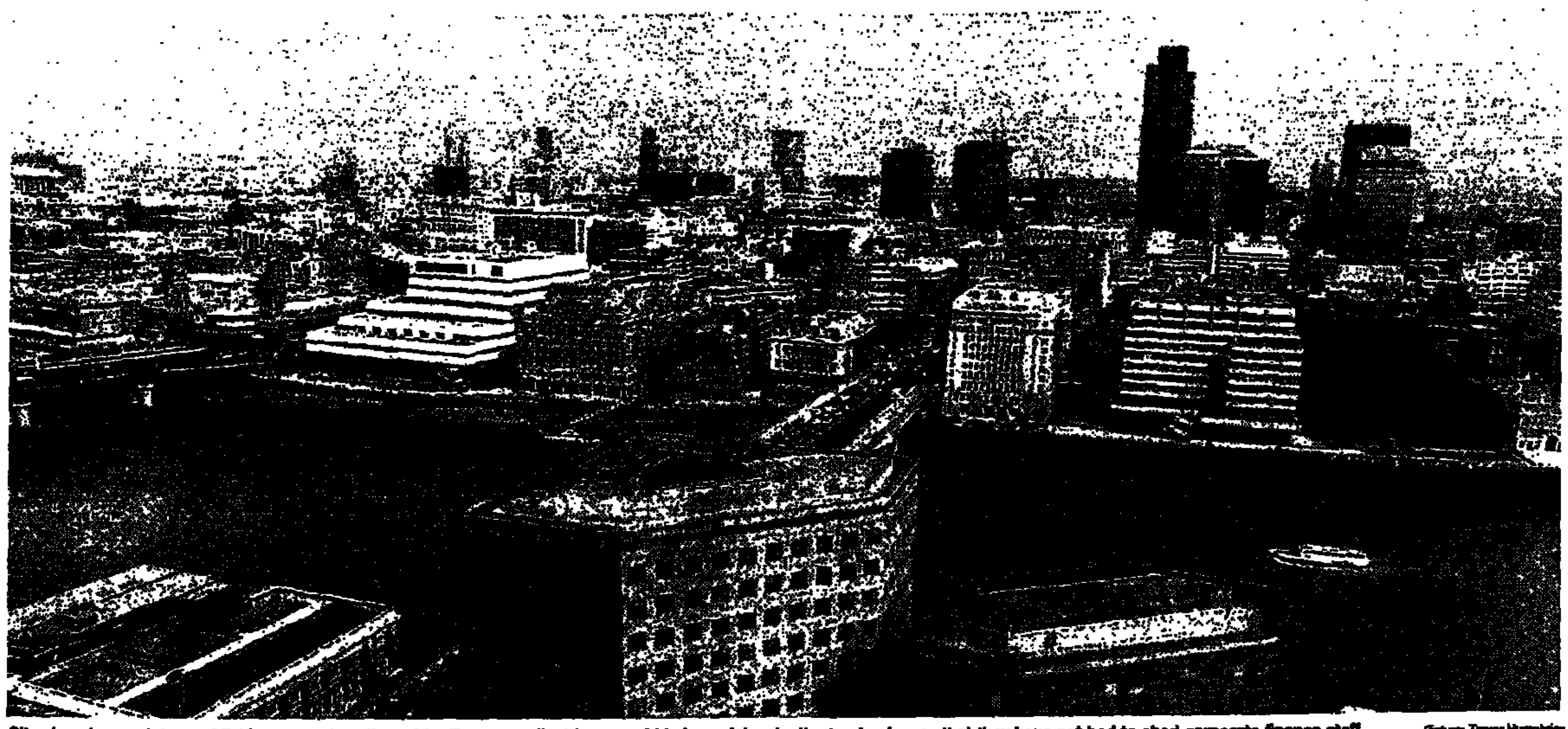


City view: Legwork in establishing contacts with a wider European client base could help explain why the top banks say that they have not had to shed corporate finance staff. Picture: Trevor Humphries

Brian Bollen notes that financial advisers must adapt – or go the way of the dinosaurs

Smaller of the species under threat

FINANCIAL advisers have had to respond to the much changed levels and patterns of international M&A activity to avoid going the way of the dinosaurs.

Broadly, investment bankers say their work has not diminished in volume, but that it has changed in nature since the late 1980s. There is less financial thinking behind transactions and more strategic thinking; buyers want more thorough "due diligence" investigations and they seek to consider the long-term implications of deals more carefully.

Clients are also seeking more integrated – and global – advice in the context of an M&A transaction; such as advice on financing, derivatives and balance sheet structures. The transaction range has broadened and there has been a shift away from transaction-centred relations.

The renaissance of relationship banking is one of the phenomena of the 1990s, says Mr Francois von Hurter, co-head of European M&A at the Credit Suisse First Boston group.

An added complication is the ability of the big, very experienced companies to handle much of their own M&A activity. A common complaint by advisers is: "The fastest growing competitor is No Adviser."

The main houses have evolved differently over the past 10 years, whether by integration, internationalisation or industry specialisation, and they have seen newcomers try to carve out a living in their traditional market. As UK public company takeover activity has become less important, the US and Europe have become, in strategic terms, more so.

Privatisation is another growing issue. Baring Brothers, for example, decided to develop internationally some years ago. It says that now more than 50 per cent of its business is cross-border work.

The bank's current workload helps to illustrate the changed marketplace. After advising Northern Telecom of Canada in 1990 on its purchase of STC, then a fully listed UK company, today it is advising NorTel on the sale of STC's submarine cable business to Alcatel of France.

The legwork involved in establishing

Those with international ambitions need global facilities as well as multi-product capabilities

contacts with a wider European client base could help explain why the top banks say that, despite the recession, they have not had to shed corporate finance staff. Those who do own up to reducing the numbers directly employed on financial advice say they have been able to redeploy staff. Green shoots are growing and staff are at least fully employed, if not actually in short supply.

"We have kept busy throughout the slowdown," says Mr Tony Freeman, a senior strategic adviser at Merrill Lynch in London. "We have been less affected than, say, UK merchant banks, who are tied to a particular market. We're now growing the business, recruiting and developing young people within the organisation; we're investing in clients, in people and in ideas."

Those with international ambitions need global facilities as well as multi-product capabilities. "If you have a substantial increase in cross-border transactions, you need an adviser with local expertise in different markets," says Mr Klaus Diedrichs, J P Morgan's co-head of European M&A.

J P Morgan, highly regarded by its rivals for the way it has translated existing corporate relationships into financial advisory mandates, says it has doubled the numbers employed in its European M&A operations over the past three years.

Others – admittedly smaller and less successful – say that there are at least 25 per cent too many people across the City in banks, legal and accounting firms, and that something has to give.

Meanwhile, the recent departure of co-founder Mr Joseph Perella from Wasserstein Perella in New York is seen in some quarters as further proof that the days may be numbered for the niche firms – the so-called boutiques which mushroomed at the height of the M&A market in the late 1980s.

While J O Hambro Magan in the UK, and Wolfensohn and Gleacher & Co in the US, are acknowledged successes, few bankers see a long-term role for the smaller of the species, unless it is based on sector specialisation and relationship.

Tom Wilson: "PW Corporate Finance has now been in business long enough to be a fair way up the corporate credibility curve"

John MacArthur: "If business is going to be smaller and different, those who set out their stall to do pure M&A could have a thin time"

Richard Agutter: "A number of merchant banks have come down into what we thought was our market place, and we have moved up a bit"

There is an argument, however, that if the niche firms did not exist, they would have to be invented in order to service smaller industrialists who have growth ambitions but are nervous in a formal City atmosphere.

Continental Europeans, too, often feel happier turning for advice to individuals with a demonstrable pedigree, rather than to faceless organisations (some of which have an unfortunate reputation for arrogance).

Mr John MacArthur, the founder of MacArthur & Co, formerly of Kleinwort Benson and Prudential Bache, argues that the critical question is whether the niche firms will become mini-merchant banks, developing a retained client list.

"If M&A business is going to be smaller and different, those who set out their stall to do pure M&A could have a pretty thin time," he says. "We are a full service corporate finance advisory organisation, from the generation of ideas to organisation and execution; many of the people around are not equipped by background or training to give mainstream corporate finance advice in the UK."

Mr MacArthur's own small team, which already features Mr Nigel Christie, an old Kleinwort Benson and Warburg hand, was strengthened recently by the arrival of Mr David Hudson from Campbell Lutyens Hudson, where he was a partner.

Wasserstein Perella, for its part, is firmly optimistic about the long-term future.

"We have a 10 to 15-year plan which includes diversification efforts that have already been in process for five years," says Mr Michael Biondi, managing director. "We also believe our advisory business is solid and will continue to improve as the market improves."

The debate on whether the corporate finance arms of accounting firms can legitimately claim to be financial advisers has taken something of a new turn as M&A values have fallen. Bank attitudes range from grudging acceptance of such claims to contemptuous dismissal.

"If you widen the definition of corporate finance activity, there is a perception that the accounting firms have muscled in," says one banker. "But they have done little more than assemble traditional accounting-related activities in one department."

"We have a worldwide network second to none," argues Mr Richard Agutter, for the other side. The chairman of KPMG's international corporate finance network says his firm is again competing with merchant banks at the lower end of its target £5m-£50m transaction range.

Mr Agutter says: "A number of merchant banks have come down into what we thought was our market place, and we have moved up a bit; the edges have become blurred." KPMG illustrates its points by referring to its role in advising Gillette on the acquisition of Parker Pen, a deal concluded earlier this year.

The corporate finance division of Price Waterhouse exudes more aggression. Several years ago Price Waterhouse might have accepted a company's reluctance to use an accounting firm as a fully fledged

KPMG advised Gillette on the acquisition of Parker Pen, a deal concluded earlier this year

financial adviser.

"We have now been in business long enough to be a fair way up the corporate credibility curve," says Mr Tom Wilson, a senior partner at PW Corporate Finance. "We regard as our competitors not the other accounting firms but the established M&A houses who are operating at the top end of the market. The keys are good contacts with local companies on the ground, which we have."

Mr Peter Espenhahn, deputy head of corporate finance at Morgan Grenfell, agrees: "There is a market for people doing smaller transactions. Our cost structure does not allow us to do a small deal for a first time client; we are happy to see the accounting firms doing that business."

Anthony Robinson reviews post-communist Europe's developing private sector

Racing to catch up with the west

BAD NEWS from Yugoslavia, similar violence along the borderlands of southern Russia, continuing economic decline and rampant inflation in Russia, and even more so in Ukraine, are conditioning the attitudes of many investors towards the post-communist world as a whole.

But a deeper, more discriminating investigation reveals a profound economic and social transformation under way in many parts of this huge region, especially in those countries not engulfed by ethnic and other resurgent historical struggles.

As expected, the fastest and deepest changes are taking place in central Europe, although even here the full scale has been masked by official statistics pointing to steep and continuing declines in industrial production and GDP. But statistics which show that the economies of Poland, Hungary and the Czech and Slovak Republics are running at production levels 20-30 per cent below 1988, the last full year of communist control, distort reality.

What such figures do show is the extent to which the old economy of polluting heavy industry, arms factories and shoddy consumer goods has been scrapped or down-sized. They do not fully reflect the rocketing output from the local private sector, the rapid increase in the size and sophistication of service industries – from retailing and advertising to banking and property management – or the degree of re-integration into the global economy as foreign investors introduce new technology, buy and restructure privatised state enterprises or step up production from new, state-of-the-art, carmaking, detergent, glass, chemical and other new plants on green field sites.

Central Europe – the Czech Republic, Hungary, Poland, Slovenia and Slovakia – accounts for just over 70m of the 400m people in the former Soviet Empire. Another 8m live in the three Baltic states – Estonia, Latvia and Lithuania – which are likely to achieve similar levels of income and economic performance by the early years of the 21st century.

By any standards this represents an enormous business opportunity

All are determined to achieve west European standards of living, and to integrate as fully as possible, and as soon as possible, into a suitably enlarged EC and Nato. By any standards this represents an enormous business opportunity which multinational consumer and capital goods corporations have been among the first to spot.

To date the inflow of equity capital into the region since 1989, probably running at about $10-12bn, is small compared to that which poured into Spain or even Portugal as Iberia entered the EC. It is dwarfed by the capital flows into a re-invigorated Latin America and South East Asia where capitalist institutions and attitudes already exist to build on, and returns on capital are often both faster and higher.

Eastern Europe's old economy of polluting heavy industry and shoddy goods has been scrapped or down-sized *Picture: Colin Beere*

But the strong possibility that Poland, which with 39m people, is the largest of the non-Soviet post-communist states, will this year achieve the highest economic growth in a generally depressed Europe has highlighted the potential for rapid and sustainable growth once the re-structured economies recover from the painful surgery of the last three years.

ABB, the Swiss-Swedish power generating and engineering group, was one of the first strategic investors to target Poland and has gone on to acquire a string of power generating and related plants throughout central Europe. Injecting management know-how and focusing on staff and worker retraining rather than capital, ABB has developed both a new low-cost source for an increasing range of components and staked out a strategic position as supplier, from a domestic base, of much needed power generating, anti-pollution and other equipment, for which demand in the region is bound to rise sharply as economic growth gathers pace.

Ikea, the Swedish-based furniture company, is another Nordic investor well-apprised of the cost advantages involved in sourcing product from central European factories. It too has been attracted by the potential for steady and protracted growth in new markets of long-starved consumers with western tastes and a huge pent-up demand for relatively cheap and stylish consumer durables.

In August, Ikea opened the biggest furniture store in central and eastern Europe just outside Warsaw and plans to invest $55m in building other new stores by 1996. In the meantime its three Polish factories, using cheap local wood and chipboard and low cost labour, are already accounting for 20 per cent of the group's total world production and will double this over the next three years.

Poland and the Czech republic seem poised to attract most M&A interest

It is a similar story in the automobile sector where Volkswagen's takeover and DM7bn investment plans for Skoda Automobilova in the Czech republic, and Fiat's $2bn commitment to Poland, have transformed prospects for the central European car industry alongside smaller investments by General Motors, Ford and Suzuki of Japan and smaller assembly operations by Peugeot and Citröen.

Hungary remains the main recipient of foreign investment with over $700m flowing into the country over the first half of this year. But Poland and the Czech republic seem poised to attract the bulk of merger and acquisition interest over the next few years, as privatisation releases more former state assets to the private sector and Poland finally reaches agreement with the commercial banks on the reduction and re-scheduling of its $12bn commercial bank debt.

German and Austrian companies are particularly interested in acquiring assets in the Czech republic, which juts into German-speaking Europe like a wedge; and to a lesser extent in Slovakia where Bratislava, the Slovak capital, is almost a suburb of Vienna.

For Germany, the collapse of communism has meant not only re-unification, and the unexpectedly difficult process of re-absorbing the eastern provinces, but also the opening up for trade and investment of its traditional east European backyard. German companies are particularly aware of the strategic importance of acquiring enterprises in central Europe whose management have long standing personal links with enterprises throughout the former Soviet bloc.

Their eyes are on the longer term future, when Russia and Ukraine will re-emerge from the current prostration, urgently needing buses, trains, trams, power stations, motorways – everything, indeed, as cheaply and as ruggedly made as possible.

That is why two of the most interesting deals in recent months have been the link-up between AEG-Westinghouse of Germany and CKD of Prague, to build trams for both eastern and western markets; and the Skoda Pilsens tie-up with Siemens, also to make steam turbines and other equipment for the wider pan-European market now emerging.

Borrowers can now bypass bank financing, writes **Tracy Corrigan**

Loans replaced by bonds

CONDITIONS for financing mergers and acquisitions have rarely been so favourable. Stock markets are booming. Interest rates are at historically low levels. The availability of such financing opportunities is propitious because it coincides with a reduction in the availability of bank credit.

Highly-leveraged companies in the US – and to a lesser extent in the UK – have managed to shift the mountain of debt which was threatening to overwhelm them a few years ago. Some have even built up some cash, and these are at a distinct advantage in the M&A market.

More borrowers are now able to bypass bank financing, which had become much harder to obtain. This is partly because there are fewer hostile takeovers than in the 1980s. In an agreed bid, the need to have financing already in place is less pressing.

At the start of this year, the new Basle capital adequacy requirements (forcing banks to set aside a proportion of their capital against their assets) came in, but the squeeze on bank capital was already tight. In recent years, banks have tightened their purse strings for acquisition-related financing after suffering a bad record on their loans to highly leveraged companies. The casualties of the economic slowdown have also scarred banks.

The highly leveraged deals which fuelled management buyouts and leveraged buyouts in the 1980s, mainly in the US, simply died away. The opposite process of de-leveraging – paying off their heavy burdens of debt and rebuilding their balance sheets – became the most obvious trend among companies.

"Bank financing has become more difficult generally, but the sector the banks have really clamped down on is expanding conglomerates," says one banker, "particularly where there was considered to be a greater risk because the acquisition was sizeable compared with the buyer."

Sentiment against conglomerates has turned, partly because of bad experiences of highly-leveraged transactions by conglomerates in the 1980s, and also because many bankers feel that in the increasingly competitive international environment, companies should be focusing on their core businesses.

"There are only a handful of top acquisitive conglomerates which still command credibility," a banker says.

In the US, the junk bond, or high-yield bond market, has recovered from the fall-out of the 1980s, although bank lending remains tight. The most favourable factor has been the sharp decline in US interest rates and yields in recent years.

"The financing levels on debt are so attractive right now that one might expect to see a huge surge of takeover activity"

This decline has starved US institutional investors, such as insurance companies, of paper offering high returns. As a result, insurance companies have been hungry for higher-yielding paper which has improved access to the market for sub-investment grade companies. Many companies are comfortable to buy lesser credits, because they believe that the US is on the way out of recession and these credits are likely to improve rather than deteriorate.

"The bond market is replacing the loan market: the public market is willing to buy securities at a cheaper level than banks will lend," one banker says.

While Europe has never developed a high-yield bond market – and indeed, many European countries have rather small and limited corporate bond markets – a growing number of UK companies has tapped the US market, sometimes making use of the Securities and Exchange Commission's rule 144A, which allows them to issue tradeable private placements without registering. It is not yet clear whether the trend for accepting lower credits as yields fall will really catch on in Europe, though many emerging market borrowers have now successfully tapped the market.

So far, European companies have been heavily dependent on the bank and syndicated loan markets, but in the course of the latest economic turndown they have also learnt that the banks are not necessarily their friends. As a result, many have refinanced bank debt, and may prefer to issue securities in the future.

"The financing levels on debt are so attractive right now that one might expect to see a huge surge of takeover activity, but this is somewhat mitigated by the high price of equity," says a banker. High stock prices mean that, although financing is easier for the buyer, the purchase price of the company to be acquired is correspondingly higher.

The main shift in the financing of acquisitions by issuing stock is the greater concern among the buyer's shareholders. Practice has shown that a company has to pick an acquisition which is on a sensible scale and appeals strategically to investors.

Some companies have also used share offerings made as a result of an acquisition to spread their investor base – for example, by seeking a listing in the US.

The rights issue still remains the most important means of financing M&A deals in the UK – and it is liked by UK institutions, which benefit from the system.

The role of banks in providing M&A financing remains extremely important, but banks are no longer ready to lend first and study the deal afterwards. More important: it is increasingly difficult, as the process of "disintermediation" advances, for banks to compete on cost with the bond or equity *markets* – which are in the middle of bull markets.

هكذا من الأصل

MORGAN STANLEY'S ESTIMATE OF EUROPE'S PRIVATISATION CANDIDATES

Country	Company	Industry	Govt Holding % of Co.	Value (Dollars m)
Italy	Credlop	Banking	51.0	n/a
	Credito Italiano	Banking	67.0	877.0
	BCI	Banking	57.0	2,182.0
	Banca di Roma	Banking	86.9	2,101.0
	Banco di Napoli	Banking	13.0	570.0
	IMI	Banking	100.0	n/a
	ENEL	Utilities	100.0	7,744.1
	AGIP*	Energy/oil	100.0	5,010.9
	SNAM*	Energy/oil	100.0	1,962.2
	ENI Group*	Energy/oil	100.0	5,579.1
	SME	Food	68.7	1,259.4
	INA	Insurance	100.0	n/a
	Ilva	Steel	100.0	n/a
	STET	Telecoms	52.0	4,131.9
	Finmeccanica*	Engineering	100.0	1,689.9
	Nuovo Pignone	Engineering	75.5	396.5
	Assitalia	Insurance	59.5	571.2
	Iritecna	Construction	100.0	n/a
	Saipem	Energy equipment	83.4	476.3
Sweden	Luftfartsverket*	Airport authority	100.0	298.2
	Nordbanken	Banking	100.0	2,510.0
	Televerket*	Telecoms	100.0	2,106.2
	Gotabank	Banking	100.0	800.0
	Procordia	Pharmaceuticals/food	32.0	1,935.6
	NCB**	Forest Products	100.0	214.1
	ASSI*	Forest Products	100.0	341.0
	LKAB*	Mining	100.0	542.4
	Celsius*	Technology	100.0	187.7
	Vattenfall*	Utilities	100.0	1,075.1
Finland	Valmet	Engineering	80.0	199.3
	Enso-Gutzeit	Forest products	51.0	506.6
	Veitsiluoto*	Forest products	88.8	129.7
	Outokumpu	Non-ferrous metals	57.5	401.7
	Kemira*	Chemicals	100.0	198.9
	Neste*	Oil/chemicals	98.0	426.2
	Rautaruukki*	Steel	87.0	210.0
Netherlands	DSM	Chemicals	30.5	532.6
	ING	Insurance	8.0	780.3
	PTT*	Telecoms/post	100.0	6,479.6
Spain	Repsol	Energy/oil	41.1	3,192.2
	ENDESA	Utilities	75.5	7,120.3
	Ence	Forest products	55.0	3,315.9
	Telefonica	Telecoms	32.0	3,096.8
	Tabacalera	Food/tobacco	52.4	577.1
	Argentaria	Banking	75.0	3,442.0
France	BNP	Banking	73.0	5,058.0
	Credit Lyonnais	Banking	54.0	2,346.0
	Credit Local	Banking	25.5	728.7
	Thomson CSF	Technology	59.2	2,788.8
	AGF	Insurance	75.0	4,816.2
	UAP	Insurance	75.0	6,137.2
	Pechiney	Non-ferrous	75.0	1,895.0
	GAN	Insurance	79.0	2,519.6
	TOTAL	Energy/oil	5.9	472.8
	CNP	Insurance	42.5	n/a
	Elf Aquitaine	Energy/oil	50.8	8,892.9
	Rhone Poulenc	Chemicals/pharm	43.0	2,915.3
	Renault*	Autos	80.0	5,649.0
	Usinor-Sacilor*	Steel	80.0	3,479.6
	Groupe Bull	Technology	88.0	n/a
	Air France*	Transport	99.4	2,840.2
	France Telecom*	Telecomm	100.0	21,537.0
	Gaz de France*	Energy/Oil	100.0	5,021.6
	Electricite de France*	Utilities	100.0	2,642.7
	Aeroports de Paris*	Airport authority	100.0	787.1
	Snecma*	Technology	95.0	817.2
Portugal	Cimpor	Construction	100.0	n/a
	TAP	Transport	100.0	n/a
	TLP	Telecoms	100.0	n/a
	Telecom Portugal	Telecomm	100.0	n/a
	Portucel*	Forest products	100.0	433.7
	Soporcel	Forest products	55.0	n/a
	Banco Port. do Atlantio	Banking	25.0	330.0
	BPSM	Banking	100.0	n/a
UK	British Coal	Mining	100.0	n/a
	NI Electricity	Utilities	100.0	500.0
	PowerGen	Utilities	40.0	1,655.0
	National Power	Utilities	40.0	2,674.3
	BT	Telecom	22.0	8,579.1
Ireland	Aer Rianta***	Airport Authority	100.0	93.9
	Telecom Eireann**	Telecomm	100.0	537.9
Norway	Norsk Hydro	Energy/Oil	51.0	2548.4
	DnB	Banking	70.0	1520.0
	Christiania	Banking	100.0	1200.0
Austria	OMV	Energy/Oil	72.0	884.5
	Creditanstalt	Banking	49.5	950.0
	Bank Austria	Banking	21.7	1032.0
Germany	Deutsche Telekom*	Telecomm	100.0	22,062.5
	Lufthansa	Transport	54.7	1,186.9
	Treuhand	Holding Co.	100.0	n/a
Greece	OTE*	Telecomm	100.0	1,403.8
	PPC	Utilities	100.0	n/a
Denmark	Tele Danmark	Telecomm	100.0	1,048.2
Belgium	Belgacom	Telecomm	100.0	n/a

* Shareholders' Funds as at 31/12/91

**Shareholders' Funds as at 02/04/92

***Shareholders' Funds as at 31/12/90

N/A = Not available Note: Method used for valuing government stakes is:

a) The percentage given as the government stake is the actual amount held directly by the government, and does not include stakes held by state banks etc.

b) Where a stock market price exists, the government's shareholding is translated at that price.

c) If no market price exists, shareholders' funds are taken from the balance sheet and multiplied by the percentage owned by the government.

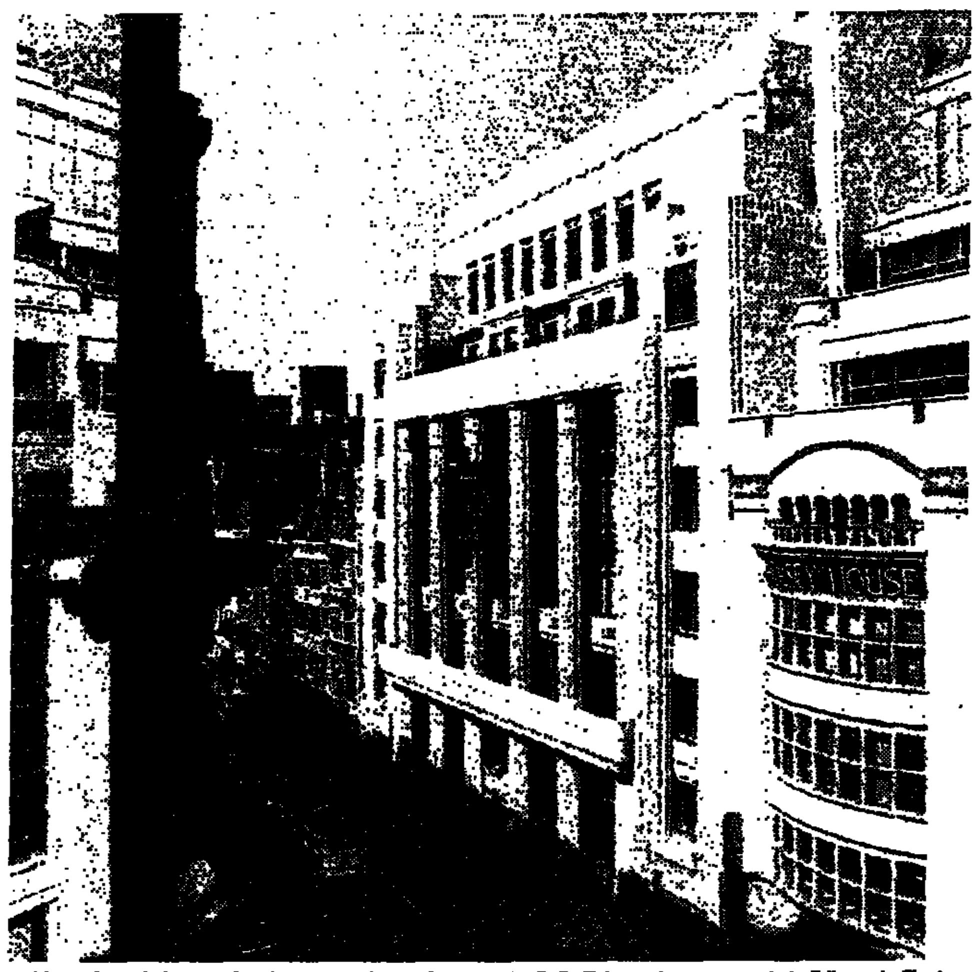
All amounts are in US dollars. No implication is made that these are valuations of the companies or prices at which they could or will be brought to the market. Amounts given are as an indication only.

Source: Morgan Stanley Research

As the pace quickens, John Thornhill reviews the privatisation bonanza

Bankers strike pot of gold

Richard Sapp, a managing director of Goldman Sachs International



Goldman Sachs's London headquarters – it was formerly the Daily Telegraph newspaper's building – in Fleet Street. The bank has been developing its presence in Europe over many years. Picture: Trevor Humphries

Renault, the carmaker (below), and the Crédit Lyonnais bank (above) are included among the likely candidates for privatisation in France

FACED with the pressures of rising budget deficits and the demands of ageing populations, governments around the world are feeling the squeeze.

Many have hit on the same solution of privatising state-owned assets to plug the gaps in their nation's balance sheets. Last year, about $70bn was raised from such sales. With enormous privatisation programmes under way in western and eastern Europe, Latin America and the far east, the pace of privatisation will only quicken.

For merchant bankers, this process represents a huge pot of gold. Not only will governments pay bankers fat fees to help prepare companies for flotation and trade sales; integrated banks will also win a slice of the action through distributing shares to overseas fund managers.

As well as the short term financial bonanza, bankers believe they may gain substantial long term benefits. Helping to privatise companies will enable banks to forge closer corporate relationships, perhaps resulting in mergers and acquisition work.

One of the biggest and most attractive privatisation programmes is being launched in France. The Balladur government is committed to transferring at least 21 companies to the private sector over the next five years. More than $50bn of corporate assets are likely to be brought to the market, increasing the capitalisation of the Paris bourse by as much as one-fifth.

The world's leading merchant bankers are busy flaunting their wares to the French government. The bulk of the work, though, seems likely to be won by French banks.

Since the first wave of privatisation in 1986-88, French banks, such as Société Générale and Paribas, have grown in size and sophistication, building up their international distribution networks. But there may be rich pickings for foreign banks with a strong presence in the US and the far East, in particular. Prominent among them is Goldman Sachs.

Mr Sylvain Hefes, the first French partner of the US investment bank, believes Goldman Sachs can play a big role in the privatisation programme. The bank has been developing its presence in Europe over many years, advising on UK privatisations and, recently, helping to place shares in Repsol and Endesa of Spain.

In France, it has been developing a high profile presence in the mergers and acquisitions field. Last year, for example, it advised – somewhat controversially – Assurances Générales de France about its purchase of a 25 per cent stake in AMB of Germany for £422m.

Mr Hefes believes that US fund managers will have a keen appetite for the shares of French privatisation stocks. Many of those to be privatised are well known, world class companies such as Rhône Poulenc and Elf Aquitaine. US fund managers are relatively underweight in the French market and eager to increase their exposure to markets outside the US.

Moreover, Mr Hefes argues that Goldman Sachs is the natural partner for US companies seeking investments in France. He points out that French companies have invested four times as much in the US as their US counterparts have done in France. Over the past few years, however, Goldman has advised Emerson Electric about its £280m acquisition of Leroy-Somer and helped the US drugs group Bristol-Myers Squibb buy a stake in UPSA.

"We have a dominant position in the world's equity market and we can also help develop partnerships, restructurings, joint ventures and strategic alliances," Mr Hefes says.

Mr Jacques Mayoux, former chairman of Société Générale who acts as an adviser to Goldman Sachs in Paris, suggests that privatisation will have wider economic implications, increasing the role of the market in France. This is likely to produce greater industry rationalisation, leading to more focused groupings.

"Companies are going to have to think more in financial terms. They will have to consider how to pay dividends and how to present themselves to the market. After that, they may have greater flexibility to win market leading positions in different product areas, selling some assets and buying others," Mr Mayoux says.

He believes many French companies will also develop more international alliances along the lines of Renault's link-up with Volvo. This, of course, all means lucrative work for investment banks.

Yet Goldman Sachs will probably take years to establish itself fully on the French financial scene. It has just 20 staff in Paris – although more bankers work on French projects from its European headquarters in London.

Moreover, the French government is notorious in defence of national banking institutions. Given the presumed role of "Anglo-Saxon speculators" in humiliating the franc, it may prove especially sniffy about US and UK banks.

A German investment banking life is not a happy one at present, writes **David Waller**

More talk than action in business

ARE there too many foreign investment bankers in Germany?

One banker, who for understandable reasons wants to remain anonymous, thinks that there are.

"Germany is teeming with investment bankers beating their breasts in search of business which just isn't there," he observes. "They talk about the business out there waiting to be done, they get highly-paid jobs on the basis of the business they are going to do... but I doubt whether they really do enough to justify their overheads.

"The thing is that the investment banker here does not have the comfortable role he enjoys in the UK or the US. German companies see almost no reason for using them – and why should they?

"It makes sense to use a foreign investment bank when you are trying to sell a company to a foreign buyer, but that is about it in terms of conventional M&A business. Nowadays it is difficult to persuade a German company to use a foreign investment bank as anything other than a broker for selling troubled subsidiaries."

Is this bleak assessment correct?

Certainly, the investment banker's lot in Germany is a poor one amid Germany's worst recession since the second world war. According to statistics complied by the German arm of Coopers & Lybrand, the accountancy firm, the number of transactions in Germany last year fell by 12 per cent to 2,559 – the lowest level for five years.

Among these there were a handful of spectacular cross-border deals, such as the complicated joint transactions which led to Crédit Lyonnais' purchase of a majority stake in the BfG Bank for a total package of an estimated DM1.5bn. The related transaction was Assurances Générales de France's acquisition of a large holding in Aachener und Münchener Beteiligungs (AMB), Germany's second largest insurance group.

Westdeutsche Landesbank, the state sector bank, bought Thomas Cook, the UK-based travel group (for around DM600m); Schering, the Berlin-based group sold its industrial chemicals division to Witco of the US for DM660.

The bulk of M&A transactions involved smaller, privately owned companies, as is usual for the German market for corporate control. Moreover, most of these deals were done without the help of Anglo-American-style financial advisers. German companies tend to turn to their house-bank or to tax, legal and accountancy advisers for many of the services provided by investment banks in the "Anglo-Saxon" markets.

And for those investment banks lucky enough to have won a mandate, there comes another problem: the Coopers study found that the quality of the market had changed perceptibly. It is no longer a seller's market.

"In the light of current economic climate many of the previously active acquirers have entered a period of consolidation," the study observes. "On the seller's side the search for a suitable buyer is often a fruitless one."

The quality of the market has changed: "It is quite difficult to get deals done in these circumstances"

"It is quite difficult to get deals done in these sort of circumstances," confirms Peter Espenhahn, deputy-head of corporate finance at Morgan Grenfell, the UK merchant bank which is a subsidiary of Deutsche Bank, Germany's biggest bank, and a director of the bank's German operations . "There tends to be a large gap between the expectations of buyer and seller. Selling companies at a time of declining fortunes is always difficult."

Mr Piers von Simson, head of European mergers and acquisitions at S G Warburg, says that his team of eight professionals working in the German-speaking countries has "got its hands full", for example, advising PowerGen of the UK on its proposed acquisition of the Mibrag lignite mines in eastern Germany.

But von Simson concedes that the "process by which German companies come to recognise that investment banks add value to transactions is very gradual... There will not be a boom in M & A business, but the conditions are right for a gradual increase in the use of financial intermediaries in the German market."

Long-term factors include the increasing tendency of German conglomerates to "unbundle" non-core businesses or the increasing trend towards privatisation of assets owned by federal and regional government, von Simson believes.

At least two new foreign investment banks have established themselves in Frankfurt since 1990, attracted by similar arguments to those advanced by Mr von Simson.

Goldman Sachs, the US investment bank, has made a big splash in the Frankfurt financial community: it has recently taken a second floor in the Messeturm skyscraper and has doubled its personnel in Germany to 120 over the last year alone.

Phil Murphy, one of the firm's two resident partners in Germany, says that, along with the Hong-Kong office, Frankfurt is the fastest growing office in the entire Goldman Sachs network. The firm is active in the fixed income and equity markets in Germany as well as mergers and acquisitions.

Kleinwort Benson's presence is more modest: there are just six professionals based in the Frankfurt office. But the evolution of the office since it opened last year shows how, with a degree of flexibility, a UK merchant bank can adapt itself to changing circumstances in the German corporate finance market.

"When we started, we expected that 90 per cent of our business would be mergers and acquisitions," says Mr Hendrik Borggreve, chief executive of Kleinwort's German operations. "That was the game in town and everybody was doing it. But then we faced difficulties as the market started to dry up. When we started it was possible to line up 50 or so buyers for every company that came up for sale. Now almost nobody wants to buy."

The solution was to broaden the range of service offered by the new office – with a particular focus on project finance, a London speciality which had not hitherto been developed on an international basis.

Kleinwort's Frankfurt office is advising on the financing of a number of important infrastructure projects in eastern Europe. For example, it is advising Gazprom, the Russian state-owned gas company, on two such projects: a DM5bn plan to construct a pipeline to bring Russian natural gas to Germany; and a DM1.5bn proposal to build a polyethylene plant at Novy Urengoy in Siberia in conjunction with western partners. Kleinwort is also advising on the financing for the planned D-5 motorway which will link Prague with Nuremburg via Pilsen.

"After 16 months in action I am confident that we will make a profit this year," says Borggreve. "The office is ahead of budget."

Not all international investment bankers operating in Germany can make such a positive statement. Sceptics – such as the anonymous banker above – expect an early shake-out as institutions that decide the investment in time and money needed to crack the German market is too great.

Judy Dempsey examines a deal in eastern Germany's utilities sector

Power to a UK-US elbow

AFTER nearly 18 months of negotiations, an Anglo-American consortium headed by Britain's PowerGen, NRG of Massachusetts, and Morrison-Knudsen of Idaho will soon sign an important contract which will give it a foothold in eastern Germany's highly regulated utilities sector.

The consortium will buy Mitteldeutschen Braunkohle AG (Mibrag), the giant brown coal fields which straddle the eastern German state of Saxony-Anhalt. These fields are expected to produce between 15m and 20m metric tons of lignite a year.

The Anglo-Americans are also buying a 44 per cent stake in a power generating plant at Schkopau, near Halle, Saxony-Anhalt's second largest city. The Schkopau plant has a capacity of 900MW. The consortium will buy the equivalent of 400MW.

Outsiders may well ask why the Anglo-Americans should at all be interested in acquiring notoriously dirty brown coal fields, as well as a power plant – particularly since eastern German industry has almost collapsed, with the inevitable consequence of a sharp drop in energy consumption.

The answer is that by acquiring Mibrag and Schkopau, the consortium will tap into eastern Germany's utility sector, and will be well placed to expand eastwards, into eastern Europe and the former Soviet Union.

Reaching this stage of the negotiations was extremely difficult. From the beginning, the consortium was restricted in its activities in eastern Germany by the Stromvertrag, or Electricity Contract. This contract was signed in August 1990 between Vereinigte Energiewerke AG, or Veag, eastern Germany's major utility, and western Germany's eight main major utility companies.

Under the terms of the Stromvertrag, the latter gained a monopoly over Veag, which also controls the high voltage grid throughout eastern Germany. At the same time, the contract insisted that eastern Germany's own 15 utility companies must buy 70 per cent of its energy from Veag as a means of underwriting the massive investments which western Germany's utilities would undertake in eastern Germany. These include building, upgrading, or modernising the region's power generating blocks; by the year 2010 these will have a capacity of over 12,000MW.

The Anglo-American consortium bid for Mibrag in return for gaining some access to power generation

The consortium tried to find a way round the Stromvertrag through the Treuhand, the agency charged with privatising and restructuring eastern German industry. Because the Anglo-Americans could not buy directly into power generation in eastern Germany (it could not – at least in the early stages – be guaranteed any access to the grid, without which it could not sell its energy), it decided to bid for Mibrag in return for gaining some access to power generation.

This suited the Treuhand. It wanted an investor which would save Mibrag, guarantee several thousand jobs and commit large investments. The consortium is expected to pay about DM700m for Mibrag. For its part, the consortium was determined to link its purchase of Mibrag with access to power generation. After long and protracted negotiations in Berlin, the Anglo-Americans are set to sign a mining contract, and to pay DM800m for its 44 per cent stake in a power generating plant.

The success of these acquisitions, however, depends on two crucial factors: the development of the east German economy; and the willingness by Veag, or any of the eight west German utilities, to give the consortium greater access to power generation. After all, the interests of PowerGen and NRG do not rest with mining. They are concentrated on power generation. Initially, the consortium had wanted access to 900MW of generation in eastern Germany. It has had to settle for Schkopau's 400MW – for the moment.

Redundant ideas: the Karl Marx monument over the entrance to Leipzig university *Picture: Tony Andrews*

Mibrag has guaranteed coal contracts in place already. Over the next 40 years it will supply about 10m tons of coal to Lippendorf, a large power generation plant in Saxony-Anhalt, and to nearby Schkopau, thus giving the mines a secure economic base.

Schkopau's energy will be sold to the railways, local domestic heating systems, and Buna, the large chemical plant which the Treuhand plans to privatise. However, increased profitability and turnover of both Mibrag and Schkopau will partly depend on the future development of Buna, and Leuna, an oil refinery plant partly owned by Elf Acquitaine, the French petro-chemical company.

If the Treuhand comes up with a viable plan for Buna, and if Leuna will expand, it is expected that both will require more energy. The consortium is thus well placed to meet these needs, through producing more coal at Mibrag, building an additional plant at Schkopau, or building a power generation plant near Leuna.

In addition, if the Mibrag fields can be shown to be run efficiently and profitably, there is every likelihood that the consortium will be in a strong position to sell a share to any of western Germany's eight utilities. In other words, if Mibrag was opened up to west German participation, there is every likelihood that this would increase the consortium's access to Veag and the high voltage grid which is monopolised by these eight utility companies.

The acquisition by PowerGen and NRG of Mibrag and Schkopau represents the beginning of the consortium's activities, not only in eastern Germany, but in eastern Europe as well. The battle to open up eastern Germany's utilities sector might have been long and difficult. But the prize, over the next decade, is expected to compensate – more than compensate – for those tough negotiations.

LONDON STOCK EXCHANGE

Equities calm ahead of futures expiry

By Terry Byland,
UK Stock Market Editor

A CALMER session in both stock index futures and equities saw the FT-SE 100 Index recover the 3,000 mark yesterday, to the relief of market analysts. There was an easing of the pressures of the expiry this morning of the September Footsie future contract which lay behind much of the setback in share prices in the previous session. By the close the futures contract was nearly in line with the underlying market, in readiness for today's expiry.

The latest UK employment data made little impression, nor did the market respond to political nervousness over criticism of government policy by Mr Norman Lamont, former chancellor of the exchequer. Corporate developments provided the features and underlined the market's apparent readiness to trade at current levels. The most inspiring, if not the most unexpected, came from the confirmation that the administrator of Mirror Group Newspapers is ready to offer his 55 per cent stake.

A slow start saw share prices at first continue the uncertainty which has plagued them for the past two weeks. Progress was slow but, closely mirroring the stock index futures contract, the Footsie recaptured 3,000 in mid-afternoon.

Equities were helped by a firmer trend in UK government bonds and in other European equity markets. The second half of the session held steady but without providing excitement. The final reading put the FT-SE Index at 3,003.9 for a net gain on the day of 14.5 points. London brushed aside a sluggish start on Wall Street, down 7 Dow points in UK hours.

Trading volume was relatively high, although yesterday's Seaq total of 668.6m shares fell below the 741.9m of the previous day. Retail, or customer, business was worth £1.5bn on Wednesday, confirming that profit-taking had been significant, but not particularly alarming.

Analysts' views on this week's shakeout were summed up by Mr Trevor Laugharne at Kleinwort Benson, who said that the fall below Footsie 3,000 should not cause undue alarm, and reflected mildly negative forces rather than "the first hoof beat from the horsemen of the Apocalypse". Kleinwort "welcomes a healthy correction" and stays with its belief that the Footsie is likely to fall to a support level of around 2,970.

Although the rally in government bonds was very modest, confidence on base rate cut prospects recovered. Consequently, there were significant rallies among the interest-related issues, with retail stores generally adding a few pence. The sector was helped by a successful deal in the US by Dixons, the British high street electronics retailer.

Wall Street's firmness overnight, together with a steadier one in the currency markets, enabled the blue chip international stocks to stage a recovery. Pharmaceuticals and oil shares, both heavily-weighted components of UK market indices, found support.

Second line issues remained under a cloud, however, as would-be sellers still found it hard to find buyers for stock taken aboard at the market's peak. The FT-SE Mid 250 Index, covering a broad range of non-Footsie stocks, dipped 2.9 points to 3,421.2.

While some turmoil in share prices is possible this morning during the futures expiry, dealers' nerves seemed much steadier last night.

TRADING VOLUME IN MAJOR STOCKS

[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Shock for LIG shares

A DRAMATIC profits warning from London International Group, the condom manufacturer and photo processor, sent a wave of embarrassment through the investment community yesterday and the share price plunged by a third, down 63 to 140p.

LIG said it expected its half-year results to be "very severely depressed compared with last year" and added that Mr Tony Butterworth, the chief executive, was taking early retirement. It said the main problem was in the troubled photo-processing arm. That section normally makes its profits in the first half, which covers the summer months when most photos are taken, and is now set to make a loss.

The company was censured by the Stock Exchange in May for leaking a profits warning into the market earlier in the year. That warning knocked the shares and afterwards a number of analysts felt that the problems had then been discounted in the share price. Enthusiasm was buoyed by full-year results at the end of June when the company said its main business was resilient to recession.

Most analysts were crouching behind their screens yesterday but Mr Peter Laing of Salomon Brothers confessed: "I was a great fan of Tony Butterworth and had certainly hoped that the photo business would turn around. This has been a real shock."

Dixons pleases

There was an immediate positive response to the announcement from Dixons that it was diluting its interest in its loss-making US subsidiary Silo – a move which has long been urged on the electrical group by London analysts. Evidence of the welcome afforded by investors was seen in the stock's biggest turnover in more than three years at 14m. Dixons jumped 27 to 260p.

BZW upgraded its profits forecast for the current year from £78m to £86m as a result of the move. However, Mr Tony Sherat, the broker's stores specialist, said he remained cautious on the stock, citing doubts over the quality of earnings and the threat of increased competition in the UK. Under yesterday's deal, Dixons will cede control of Silo to Fretter in return for a minority stake in the US retailer.

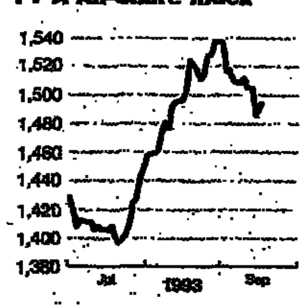
MGN deal ahead

Arthur Andersen, the administrator of Mirror Group Newspapers, acted to defuse speculation over the sale of its 54.8 per cent stake yesterday by announcing that it was preparing the details for a placing in the market.

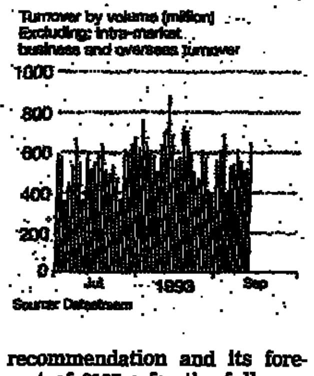
The stake, which represents some 230m shares, will be sold by Rothschild, Andersen's financial advisers, and Cazenove. The two firms will be joined by NatWest Securities, James Capel and S.G. Warburg.

Mr John Talbot of Andersen said: "In view of the success of the new management team in restoring MGN's fortunes and in removing a number of uncertainties overhanging the company" he was planning an offering of up to all the stake "subject to appropriate market conditions".

No idea of price, date or method of placing was released but the appointment of so many leading securities houses to handle the sale implies that the timing and details will be well flagged before the placing takes place. Mirror shares slipped 5 to 186p yesterday.



FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover

Source: Datastream

recommendation and its forecast of £107m for the full year on the basis that debt was coming down, the proposed restructuring would cut costs and there had been a significant boost from its Evode subsidiary. However, Hoare Govett feels the share price already reflects any improvement the company has made and, while nudging its full-year estimate £3m higher to £103m, believes the company is overvalued.

The telecoms sector rebounded after its recent bout of weakness, most of which was caused by last week's launch of Mercury's One-2-One cellular service amid worries that the market would be too competitive.

Cellular telephone group Vodafone, particularly badly hit by the offer from Mercury of free off-peak calls to private subscribers in the London area, saw some recovery yesterday. Vodafone shares have slumped by 17 per cent in the last two weeks and yesterday Henderson Crosthwaite was among brokers to decide that the fall had been overdone.

Analyst Mr Patrick Hickey said the threat from Mercury had been exaggerated. "The One-2-One launch takes the cellular market into a new stage of development," he said. "Far from losing market share, we believe Vodafone will benefit from an expanding market."

He added that the company's overseas expansion plans also left it well placed in other markets. Vodafone shares moved ahead 14 to 453p. Cable and Wireless, owners of Mercury, appreciated 8 to 838p. BT put on 3½ at 417½p.

RMC Group, the building materials company, delivered dull results and the shares slipped 6 to 793p in steady trading. Its profit dropped to £61.6m from £62.1m last year and the dividend was held at 6.6p. Building specialists had forecast between £62m and £69m, with the dividend expected to rise to 7.1p.

Other materials groups fell in sympathy. Redland lost 12 to 535p, Spring Ram 2 to 62p, Hepworth 8 to 377p and Heywood 7 to 347p.

In a dull property sector, Moorfield Estates gained 4 to 45p after announcing a rights issue to help fund a £13m deal with British Land. The latter's shares slid 7 to 380p.

Glaxo rose 12 to 636p on talk of a an upgrade by Salomon Brothers. However, the house said it had raised forecasts earlier when the results were announced last week.

New Frontiers Development Trust lifted 11 to 100p after Credit Lyonnais Laing placed the 75 per cent stake – some 75m shares – owned by the Merchant Navy Officers Pension Fund at 94p a share with institutions. The main buyer was Foreign and Colonial which took 30m.

A positive annual meeting at Tomkins continued to boost the shares with a BZW recommendation also helping the shares rise 9 better at 237p.

Among transport stocks, S.G. Warburg was said to be positive on British Airways, and the shares improved 3 to 358p. Figures at the top end of expectations from Associated British Ports sent the shares 16 ahead to 452p.

British Aerospace was back in favour yesterday after Wednesday's slide on poor. The change of mood started with Wednesday evening's meeting with institutions at Hoare Govett, the company broker. Bargain hunting was also in evidence and the shares bounced 15 to 409p, with volume reaching 2.9m.

TI Group which retreated on Wednesday in sympathy with BAe also recovered to move 5 ahead to 344p.

APV shed 1½ to 97p, as analysts downgraded full year expectations after it reported a 59 per cent fall in interim profits to £4.9m. NatWest Securities was among houses that reduced profit expectations cutting its forecast for the full year by £7m to £15m.

Bumper interim profits from tyre and exhausts group Kwik-Fit saw the shares improve 4½ to 172½p.

USM-listed Bluebird Toys rose 13 to 451p after leaping nearly 90p earlier in the week. The market was enthused by a promotional deal with MacDonalds the hamburger chain and a sharp rise in profits.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Christopher Price.

■ Other statistics, Page 21

Setback for UB

Disappointing results from United Biscuits sent the shares into decline to close 9 down at 353p in turnover of 5.2m. Profits came in at the bottom of market expectations and the lack of increase in the dividend compounded investors' disgruntlement. UB blamed the difficulty of passing on higher raw material costs, which suppressed margins.

Mr Carl Short at Strauss Turnbull, who cut his forecast for the full year from £200m to £171m, said trading conditions in the second half would remain difficult. He added that the current uncertainties surrounding the stock demanded a yield of around 6 per cent, implying a share price of 330p.

Laporte strong

Specialist chemicals group Laporte saw its shares jump 35 to 655p after the company announced a 15 per cent rise in first-half profits to £51.3m and a raised dividend.

UBS maintained its buy

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (98). AMERICANS (3) Amerifech, BellSouth, Exxon, BREWERS (3) Fuller STA, Matthew Clark, BLDG MATLS (3) Halton, Sheffield Indits., BUSINESS SERVS (3) GR, Serco, CONGLOMERATES (3) Chilington, Rosper, Do A CONTG & CONSTRCN (3) Avonside, Peoricks, ELECTRICALS (1) Arlen, ELECTRICITY (1) Scottish Power, ELECTRONICS (3) Enterprise Crapac, ISA, Indl. Control Servs., Kewill Systems, Molyne, ENG GEN (1) Elson (S), FOOD RETAILING (1) Farepak, INV TRUSTS (5) Fleabury Tst., Genesis Chile, Do Wts., Jakarta, Latin Amer. Wts., New Frontiers Devlpt., Do 6¾pc '10, Scottish Value, South America Fd., MEDIA (4) Grampian TV A, LWT, Trinity, Yorks.-Tyne Tees, MTL & MTL FORMING (2) Castings, Chamberlin & Hill, MISC (8) Airsprung Furn., Black (P), Bluebird Toys, Calderburn, Eurocopy, Unact, Minmet, Spandex, MOTORS (1) Kwik-Fit, OIL & GAS (1) Gt. Western Res., OTHER INDLS (3) Brown & Tawse, Ferronet, RJB, PACKG, PAPER & PRINTG (1) Klearfold, PROP (3) Daejan, Moorfield, Peel, STORES (1) Asprey, TEXTS (6) Albion, Forminster, Jacques Vert, Jeroma, Leeds, Sirdar, TRANSPORT (3) Dawsongroup, Norish, P & O 5½pc Pf., WATER (2) Mid Kent, Wessex, PLANTATIONS (1) Anglo-East., MINES (1) Stilfontein.

NEW LOWS (21).

BRITISH FUNDS (2) Exch. 12¼pc '94, Treas. 12¾pc '95, CANADIANS (1) Nova Corp. of Alberta, BREWERS (2) Macallan-Glenlivet, Wolv. & Dudley, CHEMS (1) Chemex, CONTG & CONSTRCN (1) Try, ELECTRONICS (2) Borland, Micro Focus, HEALTH & HSEHOLD (2) Baxter Intl., London Intl., HOTELS & LEIS (1) First Leis., INSCE BROKERS (1) Alex. & Alex., INV TRUSTS (1) Murray Split Cap., MEDIA (1) Blenheim 6.4pc Pf., MISC (1) FR, OIL & GAS (1) NZ Oil, OTHER INDLS (1) AAF, PACKG, PAPER & PRINTG (1) Clondalkin, TEXTS (2) Haggas (J), PEX.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3003.9 +14.5	3421.2 -2.9	1493.42 +4.78

	Sep 16	Day's change %	Sep 15	Sep 14	Sep 13	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj ytd	Total Return
FT-SE 100	3003.9	+0.5	2989.4	3028.0	3024.8	2483.9	3.90	5.81	21.29	68.18	1067.27
FT-SE Mid 250	3421.2	-0.1	3424.1	3458.8	3471.5	2259.8	3.54	5.58	22.01	69.20	1228.57
FT-SE Mid 250 ex Inv Trusts	3437.0	-0.1	3438.9	3472.8	3485.7	2261.7	3.64	5.85	20.80	70.48	1229.83
FT-SE-A 350	1505.5	+0.4	1500.2	1518.6	1518.6	1187.6	3.82	5.76	21.45	33.32	1118.53
FT-SE SmallCap	1769.01	-0.2	1771.76	1778.88	1783.94	-	3.16	3.88	35.72	30.22	1328.86
FT-SE SmallCap ex Inv Trusts	1771.31	-0.1	1773.31	1779.72	1784.88	-	3.33	4.26	33.62	31.43	1331.71
FT-A ALL-SHARE	1493.42	+0.3	1488.64	1506.10	1506.43	1164.96	3.78	5.64	22.00	32.58	1127.33
1 CAPITAL GOODS(214)	1053.36	+0.2	1051.31	1066.42	1071.17	731.78	3.88	4.09	31.93	22.83	1238.99
2 Building Materials(28)	1166.50	-0.4	1171.68	1181.04	1177.98	704.57	3.90	3.28	43.07	22.93	1350.20
3 Contracting, Construction(29)	1025.51	-0.4	1029.39	1038.21	1040.38	552.31	3.21	1.27	80.00†	14.82	1418.92
4 Electricals(15)	3051.14	+0.6	3032.02	3075.50	3170.10	2063.28	4.43	3.52	35.53	75.17	1233.87
5 Electronics(38)	2846.54	+0.2	2840.97	2881.91	2876.68	1910.59	3.05	5.67	20.84	63.37	1246.56
6 Engineering-Aerospace(7)	425.78	+0.4	424.13	436.27	441.81	297.92	3.42	‡	‡	6.61	1470.16
7 Engineering-General(48)	609.74	+0.4	607.48	615.44	619.54	442.17	3.55	5.77	20.97	13.05	1222.84
8 Metals & Metal Forming(10)	443.89	-0.1	444.46	438.81	444.82	298.45	2.47	‡	‡	6.63	1402.84
9 Motors(20)	449.65	+0.1	449.39	453.43	454.74	302.38	4.87	4.21	33.15	12.66	1240.71
10 Other Industrials(19)	2139.99	+0.7	2125.86	2175.23	2190.47	1698.58	4.84	5.88	20.16	52.70	1104.47
21 CONSUMER GROUP(233) to 99 FT-A ALL-SHARE(808)	[illegible]										

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]										
FT-SE Mid 250	[illegible]										
FT-SE-A 350	[illegible]										

Time of FT-SE 100 high: 4.25pm low: 8.57am

FT-SE Actuaries 350 Industry Baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	Change
Construction	[illegible]											
Health & Hh	[illegible]											
Water	[illegible]											
Banks	[illegible]											

[illegible]

Account Dealing Dates

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

BRITISH FUNDS - Cont.

[illegible]

OTHER FIXED INTEREST

[illegible]

Continued on next page

FINANCIAL TIMES EQUITY INDICES

	Sep 16	Sep 15	Sep 14	Sep 13	Sep 10	Year ago	*High	*Low
Ordinary share	2331.2	2321.2	2354.1	2354.7	2356.3	1815.2	2414.2	2124.7
Ord. div. yield	[illegible]							3.82
Earning yld % full	4.70	4.72	4.65	4.66	4.65	7.07	6.38	4.51
P/E ratio net	27.17	27.04	27.45	27.42	27.46	17.92	28.30	19.40
P/E ratio nil	25.08	24.96	25.34	25.31	25.36	18.62	26.14	18.14
Gold Mines	168.9	155.0	145.4	151.3	159.7	80.7	249.2	80.0

*for 1993. Ordinary share index since compilation: high 2414.2 31/8/93 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2325.3	2319.5	2327.9	2326.5	2324.0	2326.0	2326.8	2329.1	2327.8	2331.4	2318.3

Volume	Sep 16	Sep 15	Sep 14	Sep 13	Sep 10	Year ago
SEAQ Bargains	28,442	28,904	28,175	30,990	27,518	37,146
Equity Turnover(£m)†	-	1495.0	1306.6	1058.3	1398.1	2546.6
Equity Bargains†	-	32,518	31,052	34,587	31,646	40,582
Shares traded (mil)†	-	649.5	526.0	506.6	581.8	1052.2

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

THE LAST full day of trading ahead of this morning's expiry of both the Footsie September future and index traded options turned out to be a much calmer and less hectic session, with signs that dealers had already unwound positions, writes Joel Kibazo.

The September FT-SE 100 futures contract started trading at 2,992 yesterday, at a slight discount to cash, but quickly declined by a further 8 points as several small sell orders were executed. This done, September moved steadily ahead, gaining a modest premium to cash.

Volume was good, but with most of the traders having made an effort to square their books earlier in the week, there was little in the way of basket trading. In spite of today's expiry, the forward month contract continued as the most liquid, showing nearly double the volume recorded in the December contract, which assumes market leadership on Monday. Turnover in September at the official close was 8,029 lots and that in December was 4,625.

The near month contract finished at 3,003, leaving a 2-point premium to cash.

In traded options, volume remained healthy, reaching 36,467. The FT-SE 100 option traded 14,092 contracts, while the Euro FT-SE saw business of 2,413 lots.

Among the stock options, Glaxo led the way in the activities list with a total of 2,447 lots transacted.

CROSSWORD

No.8,256 Set by VIXEN

ACROSS
1 Food in the can (8)
5 A good-looker, a big shot in the underworld, holding on (6)
9 A liar not perhaps capable of reasoning (8)
10 Like duplication of agreement in Italy (in Umbria) (6)
12 A roundabout way to gain admission (9)
13 Out of work, that's true (5)
14 Finished with a large number in accord (4)
16 A little boy holding up business (7)
19 Trade in used vehicles? (7)
21 Mean to change the last word (4)
24 A model backing a moralist (5)
25 Points to champion catching a train (9)
27 Note the reprobate is totally free (6)
28 An insect's metamorphosis for example (8)
29 An old military man colours (6)
30 The friend embracing a flighty creature like a father (8)

DOWN
1 Salary about right, it appears, for equal status (6)
2 Reformed rotter's comeback (6)
3 Presses for some clubs (5)
4 Hard stuff in great variety (7)
6 Engineers involved in controversy get a bad name (9)
7 A suggestion about one's causing bother (8)
8 Wear suitable for women getting around (8)
11 Writers making pounds (4)
15 Children not being served well (9)
17 Odd about money – put the squeeze on (8)
18 Dupes saw pacts broken (4-4)
20 Those having craft under control talked big (4)
21 One feels for any six-footer (7)
22 Against toting a woman's gun (6)
23 Cancel the exercise in positive fashion (6)
26 Some of the Mounties could apply for release (5)

JOTTER PAD

Solution 8,255

BANNED SANCTION / ORIGINAL SPORTING / LILT PLAYS ACRE / SHORTCOMINGS / OBSTETRICIAN / FRET MINOR SCUM / EARLIEST PRIVET / HOLIDAYS STORED

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs	17⅞xd	—	20⅞	15⅝	14,541	2.6
Allegheny & W ♥	457p	-2	722p	399p	284.7	4.0
Amdahl	330p	—	591p	294p	370.6	1.0
Amer Cyanamid	34½	—	36⅝	31¼	3,099	3.4
Amer Express	21⅞xd	+⅛	23⅝	14⅞	10,527	3.1
Amer T & T	38⅜xd	-⅛	43¼	33⅞	62,298	2.3
Ameritech	58⅞	+1⅜	58⅞	46	25,068	4.2
Anheuser-Busch	31⅛	+⅛	41¼	30⅛	8,613	2.9
BankAmerica	30⅞xd	-⅛	36⅛	27⅛	10,821	3.1
Bankers NY	61⅛xd	-⅛	54⅛	42⅝	4,168	4.0
Bell Atlantic	42⅛	+⅛	42⅞	32⅛	16,380	4.3
BellSouth	41	+1⅛	41	32⅞	20,254	4.6
Bethlehem Steel ♥	8⅛xd	+⅛	13⅛	8½	708.3	–
Bowater	1231pxd	+24	1682p	1207p	446.1	3.3
CPC	28⅛xd	+⅛	34⅞	26	4,411	3.0
California Engy	1158p	—	1479p	1068p	207.2	–
Chase Manhattan	22⅞xd	+⅛	24½	17⅞	3,580	3.5
Chrysler	28⅛xd	+⅛	32⅛	21⅛	6,662	1.4
Citicorp	23⅛xd	-⅛	23⅞	13⅛	8,400	–
Colgate-Palm	34⅛xd	+⅛	45⅞	32	5,548	2.8
Cont'l Bank	1663p	-30	1877p	1278p	1,880	2.4
Dana	35⅞xd	+⅛	37⅛	29⅛	1,633	3.0
Data General	662p	-1	951p	527p	155.1	–
Decora Inds ♥	118p	—	148p	104p	–	–
Dun & Brad	38⅞	+⅛	42½	37⅛	7,110	4.1
Eaton	33⅛	+1⅛	33⅛	25⅛	2,322	2.4
Echlin	19⅞xd	—	20½	15⅛	1,074	2.6
FPL	28⅛xd	-⅛	27⅞	23⅛	4,768	6.3
Ford Motor	35⅞xd	+½	38½	28⅛	17,403	1.9

BUSINESS SERVICES

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICALS - Cont.

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

	Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
Europa Mins	[illegible]	32	-3	42	15	15.4	-
Glencar Expl IE	††	12	—	12	6	2.22	-
Greenwich Res	♣□	13¾	—	22¼	5	10.7	-
Hemlo Gold C$		£9⅝	+⅛	£9¼	£3½	544.3	1.6
Ivernia West IE	††□	42	—	57	31	21.1	-
Kells Minls IE	††	11	—	14	6	0.27	-
Kenmare	♣□	8½	-¼	13½	6	8.51	-
Melinga Res		9½	—	25½	7½	1.05	-
Navan Res IE	♣	92	-2	102	25	15.7	-
5pc Ln Notes		86¾	-1½	95¼	25	15.8	-
Oryx Gold		72⅞	—	76⅛	47	-	-
††Ovoca Res IE		8	—	8	3½	0.56	-
RTZ	♣†N□	698	+10	748	607	7,292	3.9

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ¥ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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AUTHORISED UNIT TRUSTS

Manulife Management Ltd (1000)F
St George's Way, Stevenage Dealings:0438-747414

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Units	5¼	174.4	175.1xd	187.3	-1.3	2.42
Gilt & Fxd Int	5	182.0	182.0	191.7	-2.4	6.83
Inv Growth	5¼	202.9	202.9	216.9	+0.4	0.21
North American	5¼	164.2	164.2xd	175.6	+0.4	0.30
Far East	5¼	199.8	201.(	215.1	-1.8	1.15
UK Smaller Cos	5¼	147.2	149.6	159.9	-0.4	1.85
European	5¼	69.37	69.37	74.20	-0.84	0.29
Japanese Growth	5¼	49.16	49.16	52.28	+0.39	0.00
Managed P'folio	5¼	64.83	64.83	69.15	-0.14	1.48
High Income	5¼	180.0	180.3	192.8	+0.8	4.26

National Provident Inv Mgrs Ltd (1400)H
48 Gracechurch St, EC3P 3HH 071-623 4200

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
NPI American Acc	5½	107.78	108.00	115.61	—	0.00
NPI American Dist	5½	88.73	88.84	100.00	+0.81	0.00
NPI European Acc	5½	95.20	95.64	102.35	-0.12	0.00
NPI European Dist	5½	92.61	92.28	98.65	-0.12	0.00
NPI Far East Acc	5½	157.2	158.3	169.3	-0.80	0.09
NPI Far East Dist	5½	154.6	158.4xd	169.4	-0.80	0.00
NPI Global Care Acc	5½	68.59	68.90	73.70	-0.06	1.80
NPI Global Care Dist	5½	66.91	66.69	71.33	-0.05	1.80
NPI O'seas Acc	5½	1189.4	1191.8	1274.4	+2.59	0.22
NPI O'seas Dist	5½	915.6	918.0xd	981.8	+2.00	0.29
NPI UK Acc	5½	513.8	516.1	550.9	-1.80	2.38
NPI UK Dist	5½	322.0	323.1	345.6	-0.97	2.38
NPI UK Extra Inc Acc	5½	77.83	78.13	83.50	-0.27	4.06
NPI UK Extra Inc Dist	5½	72.71	73.18xd	78.27	-0.24	4.06
NPI UK Spec Opp Acc	5½	85.88	86.96	93.00	-0.47	1.73
NPI W'wide Acc	5½	95.85	95.85	102.51	+0.11	0.00
NPI W'wide Dist	5½	91.83	91.83	98.21	+0.10	0.00
NPI W'wide Inc Acc	5½	66.02	66.51	71.13	+0.21	2.69
NPI W'wide Inc Dist	5½	63.90	64.37	68.85	+0.20	2.69

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Standard Life Tst Mgmt Ltd (0730)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5¼	48.17	48.17	49.06	-0.5	1.46
UK Equity Gth Acc	5¼	62.79	62.90	67.90	-0.8	1.08
UK Eq High Inc Inc	5¼	37.81	37.81	40.18	-0.6	3.41
UK Eq High Inc Acc	5¼	44.91	44.91	47.72	-0.7	3.41
UK Equity Gen Acc	5¼	56.29	57.33	60.92	-0.8	2.98
UK Equity Gen Inc	5¼	42.82	43.41	46.13	-0.8	2.09
UK Larger Cos Acc	F 7½	388.0	393.2	428.7	-5.3	3.61
UK Larger Cos Inc	F 7½	298.0	302.1	327.8	-4.0	3.61
Gilt & Fxd Int Inc	5¼	32.95	33.04	34.94	-0.4	6.75
P'fic Lrg Cos Acc	F 7½	285.1	290.1	314.8	-1.5	1.20
Nth American Acc	5¼	42.90	43.16	45.80		0.81
Far East Acc	5¼	58.69	58.69	62.38	-0.4	0.29
European Acc	5¼	44.08	44.08	46.84	-0.5	0.71
State Street Unit Trust Mngmt Ltd (1400)F						
28 King Street, London SW1 6QW 071-344 7000						
Global A	5¼	$3.777	3.777	4.012	—	1.35
US Equities (d)	5¼	$2.197	2.197	2.334	—	1.74
Far East Equities (d)	5¼	Y254.1	255.6	271.5	—	–
Japan Equities (d)	5¼	Y258.4	260.4	276.6	—	–
FT Europe (d)	5¼	118.8	118.8	125.9	—	–
FT North American (d)	5¼	$1.752	1.752	1.857	—	2.07
FT Japan (d)	5¼	Y249.4	249.9	265.5	—	1.29
FT Asia Ex Japan (d)	5¼	$2.004	2.022	2.147	—	1.42
Stewart Ivory Unit Tst Mgrs Ltd (1200)F						
45 Charlotte Sq, Edinburgh 031-226 3271						
American	5	341.6	341.6	364.5	-1.4	0.33
(Accum Units)	5	402.7	402.7	428.7	-1.7	0.33
British	5	989.2	989.2	1048.6	-4.0	2.41
(Accum Units)	5	1788.7	1788.7	1888.2	-7.2	3.41
Emerging Markets	5	113.8	114.6	122.1	-1.3	0.20
(Accum Units)	5	114.0	114.6	122.3	-1.3	0.20
European	5	428.7	428.7	454.4	-3.5	1.29
(Accum Units)	5	488.5	488.5	488.9	-3.8	1.29
Japan	5	159.3	159.3	169.9	-0.2	–
(Accum Units)	5	160.8	160.8	170.4	-0.2	–
New Pacific	5	310.4	312.7	330.0	-0.9	0.98
(Accum Units)	5	325.3	327.7	349.0	-0.9	0.98
Investment Tst	5	198.5	200.5	212.8	-1.7	1.69
(Accum Units)	5	223.5	225.9	239.4	-1.9	1.69
Mngd Equity	5	158.0	159.7	169.0	-0.6	1.50
Mngd Equity Acc	5	173.2	175.0	185.2	-0.7	1.50

	Bid Price	Offer Price	+ or -	Yield Gross
Jupiter Merlin Unit Trust Managers Ltd				
Jupiter Merlin Exempt Trust				
UK Equity	£13.70	13.96	--	–
Lazard Brothers & Co. Ltd				
Property Aug 5	£2058.0	2235.0	--	7.09
Wc Gth Prp Jul 12	£1440.0	1500.0	--	8.90
Lazard Investors Ltd ‡				
Exempt Funds				
Small Co's Sep 15	£5550.0	5764.3	—	2.30
European Sep 15	£763.4	771.4	—	1.43
American Sep 15	£428.0	430.2	—	1.42
Japan Sep 15	£609.4	617.3	—	0.49
Pacific Sep 15	£201.0	204.6	--	0.85
Midland Gth Aug 31	£131.90	143.80	—	8.7
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Aug 31	176.70	188.70	—	8.53
Equity Aug 31	1094.80	1126.10	—	2.88
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond (r)		117.46	-0.9	8.18
(Accum Units)		825.15	-6.0	8.18
NAADF (z)		48.71	-0.3	6.62
For Merlin Jupiter see Jupiter Merlin				
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † Sep 14	177.6	182.7	--	2.39
UK Small Co † Sep 14	647.0	674.0	—	2.81
Fixed Interest † Sep 14	128.9	130.8	—	8.78
Intl Bond Sep 14	150.2	151.6	—	7.55
Morgan Stanley International				
UK Exempt NAV	£1622.79		--	–
Overseas Exempt NAV	£1424.47		—	–
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
American Exempt	64.10	68.60	-0.25	1.24
European Exempt	57.90	58.70	-0.57	2.33

INSURANCES

OTHER UK UNIT TRUSTS

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	Bid Price	Offer Price	+ or -	Yield Gross
Provident Mutual Life Assc. Assn. - Contd.				
Pension Funds				
Managed Ord	492.5	518.2	-1.1	-
Managed Init	408.6	430.1	-1	-
Equity Ord	900.5	947.9	-0.6	-
Equity Init	631.6	665.1	-0.5	-
Pen Ind Lkd Gilt Ord	233.5	245.8	-0.6	-
Pen Ind Lkd Gilt Init	171.1	180.1	-0.4	-
Overseas Equity Ord	416.5	438.4	-2.1	-
Overseas Equity Init	292.2	307.6	-1.5	-
Property Ord	300.9	316.7	+0.1	-
Property Init	211.1	222.2	—	-
Fixed Interest Ord	362.1	381.2	-1.4	-
Fixed Interest Init	254.0	267.4	-1	-
Deposit Ord	291.6	306.8	—	-
Deposit Init	204.5	215.3	—	-
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Prudent				
Managed Sep 15	315.8	329.0	—	-
Prudential Corporate Pension Funds				
55 King's Road, Reading RG1 3AN 0734 494852				
Prudential Managed Funds				
Discretionary Sep 8	£247.83	253.75	-4.18	-
Equity Sep 8	£280.40	280.22	-3.64	-
International Sep 8	£41.30	42.48	-1.45	-
Intl Bond Sep 8	£21.13	21.38	-0.08	-
Fixed Int Sep 8	£132.19	133.80	+0.16	-
Index Linked Sep 8	£96.08	97.28	+0.30	-
Property Sep 8	£113.74	120.16	+0.29	-
Cash Sep 8	£33.92	33.92	+0.03	-
Pre-United Retirement Plan				
Managed Sep 8	580.30	604.50	-8.70	-
Cash Sep 8	306.90	319.70	+0.30	-
Prudential Pension Investment Account				
Pens Mngd	231.40	246.80	+1.00	-
Pens Mngd A	103.60	109.10	+0.40	-
Pens UK Eq	392.70	423.50	+0.30	-
Pens Intl	290.20	311.80	+2.40	-
Pens Global Eqty	131.10	138.10	+0.40	-
Pens Fixed	297.80	314.00	+0.30	-
Scottish Amicable - Contd.				
Life Funds (Second Series)				
Managed	119.8	126.8	+0.50	-
Equity	116.3	122.5	+0.80	-
Property	104.2	109.7	-0.60	-
International	131.7	138.7	+0.60	-
Japanese	123.8	130.0	+0.40	-
Asia Pacific	146.6	154.4	+1.00	-
European	115.5	121.6	-1.10	-
American	147.9	155.7	+2.40	-
Fixed Interest	136.2	143.4	-0.20	-
Index-Linked Gilt	128.3	135.1	-1.20	-
Cash	110.4	116.3	—	-
Pension Funds				
Building Society	175.5	184.8	—	-
Managed (Init)	247.1	260.2	+1.30	-
Managed (Acc)	497.2	523.4	+2.70	-
Equity (Init)	279.5	294.3	+2.40	-
Equity (Acc)	562.2	591.8	+4.80	-
Property (Init)	152.1	160.2	-1.10	-
Property (Acc)	306.1	322.3	-2.12	-
International (Init)	247.7	260.8	+1.60	-
International (Acc)	498.2	524.5	+3.30	-
Fixed Interest (Init)	240.5	253.2	-0.90	-
Fixed Interest (Acc)	483.6	509.1	-1.80	-
Cash (Init)	153.5	161.6	—	-
Cash (Acc)	308.9	325.2	+0.10	-
Others				
Capital Guarantee Bond	103.3	108.8	+0.20	-
Scottish Equitable Life Assce. Soc.				
28 St Andrew Sq, Edinburgh 031-556 9101				
Mixed	237.2	249.7	+0.9	-
UK Equity	224.3	236.2	+1.0	-
International	239.5	252.1	+2.0	-
American	220.1	231.7	+4.4	-
European	224.3	236.1	+0.3	-
Japan	250.0	263.2	+0.8	-
Pacific	334.3	351.9	+2.0	-
Technology	311.1	327.4	+3.2	-
Fixed Interest	180.5	190.0	-1.0	-
Index Linked	162.3	170.8	-0.3	-
Foreign Bond/Currency	225.4	237.3	-0.2	-

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

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John Govett (Channel Islands) Ltd (1000)F

Bank Von Ernst & Cie AG - Contd.

INVESCO International Limited - Contd.

Atlantas Sicav

Nikko Bank (Luxembourg) S.A.

CA Securities Investment Fund Mngmt Ltd

JERSEY (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

LUXEMBOURG (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Yen rises sharply on package

THE YEN appreciated sharply against the dollar in European trading yesterday, breaking through the important Y105 barrier, as dealers took the view that Tokyo's latest economic stimulation package would disappoint the US, *writes James Blitz*.

Since August 19, the seven-month long rise of the yen had been halted, amid signs that the US government had been mollified by the prospect of a big fiscal boost. The Federal Reserve's intervention on that day made dealers think that the Clinton administration was no longer seeking a dollar depreciation in an attempt to reduce the Japanese trade surplus.

Yesterday's package was a less powerful stimulus than many dealers had expected. The headline figure for the package, at about 6 trillion yen, was larger than had been anticipated, and the Japanese authorities claimed it would put 1.3 percentage points on GDP.

But there was no specific promise from the Japanese authorities to reduce income tax and there was no cut in the official discount rate.

Comments from US officials were far from hopeful that pressure would come off the Japanese authorities.

In the European afternoon, Mr Ron Brown, the US Commerce Secretary, said that the administration had expected that a bigger stimulus would be forthcoming. Earlier in the day an unnamed official had been quoted as saying that the proposed package would fall far short of what was needed to boost the country's economy.

After closing at Y106.25 on Wednesday night, the yen broke through the Y105 level and closed in London at Y104.40. One dealer suggested that the yen could now break through the Y100 level for the first time.

At the start of US trading, the dollar weakened sharply against the D-Mark, falling as low as DM1.5875, after US indicators showed that the country's trade deficit was still very high. The data showed that the trade deficit remained at a sizable $10.34bn in July.

However, there was strong buying of the dollar at this level, as US fund managers entered the market, buying the US currency at what they clearly perceived was a very cheap level. The dollar later closed at DM1.6065 from a previous DM1.5930.

In Europe, sterling fell sharply following a very strong attack on Mr John Major's leadership in two articles written by Mr Norman Lamont, the former UK chancellor. The currency was also undermined by figures which showed the second consecutive monthly rise in unemployment.

Both pieces of news raised speculation that the British government might again be moved to cut UK base rates, either at the time of the conservative party's annual conference or in Mr Kenneth Clarke's first budget. The pound closed at DM2.4625 from a previous DM2.4725.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 16	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator‡
Dutch Guilder	2.19672	2.14621	-2.30	7.92	-
D-Mark	1.94964	1.91090	-1.99	7.58	-
Spanish Peseta	154.250	153.713	-0.35	5.81	2
Portuguese Escudo	192.854	195.861	1.56	3.82	-10
Irish Punt	0.808628	0.822096	1.67	3.71	-11
Belgian Franc	40.2123	40.9851	1.85	3.53	-13
French Franc	6.53883	6.68394	2.22	3.15	-19
Danish Krone	7.43679	7.84126	5.44	0.00	-37

£ IN NEW YORK

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

BASE LENDING RATES

MONEY MARKETS

Danes trigger rises

AFTER several days of uncertainty about the direction of European interest rates, there was a new mood of optimism yesterday, helped in particular by a cut in Denmark's official interest rates, *writes James Blitz*.

The Danish central bank cut its discount and key deposit rates to 8.75 per cent from 9.25 per cent with immediate effect. Yesterday's move followed last week's ½ percentage point easing in the Bundesbank's discount rate. But it was the first discount and deposit rate cut since the central bank raised both instruments by 1.5 percentage points to defend the krona in the turmoil that preceded the widening of the exchange rate mechanism bands in August.

The move helped French franc interest rate futures to rise, even though the Bank of France again left its official interest rates unchanged at its regular Thursday intervention. the December French franc contract rose 6 basis points to close at 93.76.

In Germany, Euromark futures were also a little stronger as dealers took the view that sell-offs earlier this week had been a little over-done.

Comments from Mr Wilhelm Noelling, a former Bundesbank council member, that the discount rate would be at 4 per cent by the end of the year helped sentiment. So, too, did a rather dovish Bundesbank monthly report.

The Bundesbank drew attention to improving trends in M3 money supply from October onwards; while calling for fiscal consolidation, it acknowledged that first half deficits had gone according to plan; and it also admonished France and Denmark for having cut their interest rates too timidly.

The December contract was up 3 basis points to close at 93.95 and the March 1994 contract was up 4 basis points to close at 94.46.

Sterling interest rate futures also rebounded after the heavy downturn of recent days. But the second consecutive monthly rise in UK unemployment also helped to turn sentiment in the market.

The December short sterling contract rose 8 basis points to close at 94.28 and the March 1994 contract rose 10 basis points to close at 94.39.

Events in the sterling cash market were less eventful. Three month interest rates again closed at 5⅞ per cent. There was an £800m shortage forecast by the Bank of England at the start of trading, which was only removed through late assistance – but the overnight rate hovered at 6 per cent for most of the day.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

AUSTRIA [illegible] — BELGIUM/LUXEMBOURG [illegible] — DENMARK [illegible] — FINLAND [illegible] — FRANCE [illegible] — GERMANY [illegible] — ITALY [illegible] — NETHERLANDS [illegible] — NORWAY [illegible] — SPAIN [illegible] — SWEDEN [illegible] — SWITZERLAND [illegible] — SOUTH AFRICA [illegible] — JAPAN [illegible] — AUSTRALIA [illegible] — HONG KONG [illegible] — MALAYSIA [illegible] — SINGAPORE [illegible]

CANADA

TORONTO — 4 pm close September 16

[illegible]

Sales	Stock	High	Low	Close	Chng	Sales	Stock	High	Low	Close	Chng
1668	Celanese	$50½	50½	50½	-½	6920	Jannock	$15½	15⅜	15½	-⅛
196	CntCptal	17	17	17	-3	400	KerrAddis	$20⅞	20⅞	20⅞	-⅛
48270	Cinepx Odn	375	365	370	+5						
8900	Cntrl Fd A	$6⅛	6⅛	6⅛	+⅛	383823	Labatt	$22¾	22½	22⅝	+¼
33410	Cominco	$15⅞	15⅝	15¾	-⅛	389061	Lac Minls	$9¾	9⅝	9¾	+⅛
8082	Coputalog	292	280	290	-5	1723	Lafarge	$25	25	25	-¼
43805	Corel Sys	$38⅛	37½	38	+⅛	16300	Laidlaw A	$8⅞	8¾	8¾	-⅛
49400	CoscanDev	170	165	170	+10	294530	Laidlaw B	$8½	8¾	8¾	-⅛

MONTREAL — 4 pm close September 16 [illegible]

INDICES

NEW YORK

DOW JONES	Sep 15	Sep 14	Sep 13	Sep 10	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3633.65	3615.76	3634.21	3621.63	3652.09 (25/8)	3241.95 (20/1)	3652.09 (25/8/93)	41.22 (2/7/32)
Home Bonds	109.20	109.34	109.69	109.25	109.69 (13/9)	103.49 (11/1)	109.69 (13/9/93)	54.99 (1/10/81)
Transport	1624.29	1612.53	1634.76	1611.48	1683.06 (16/4)	1453.84 (4/1)	1683.06 (16/4/93)	12.32 (8/7/32)
Utilities	254.48	255.14	256.46	256.06	256.45 (31/8)	217.14 (8/1)	256.45 (31/8/93)	10.50 (8/4/32)

DJ Indl. Day's High 3644.82 (3639.51) Low 3573.84 (3598.61) (Theoretical)
Day's High 3636.72 (3632.81) Low 3588.42 (3607.10) (Actual)

STANDARD AND POOR'S	Sep 15	Sep 14	Sep 13	Sep 10	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	461.60	459.90	462.06	461.72	463.56 (31/8)	429.05 (8/1)	463.56 (31/8/93)	4.40 (1/6/32)
Industrials♥	519.58	517.48	519.36	519.37	524.99 (10/3)	488.48 (26/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	47.70	47.70	48.10	48.24	48.24 (10/9)	39.89 (8/1)	48.24 (10/9/93)	8.64 (1/10/74)
NYSE Composite	255.67	254.97	256.06	255.93	256.88 (31/8)	236.21 (8/1)	256.88 (31/8/93)	4.46 (25/4/42)
Amex Mkt. Value	453.74	452.78	454.30	456.06	461.57 (3/9)	395.84 (8/1)	461.57 (3/9/93)	29.31 (9/12/72)
NASDAQ Composite	739.55	732.84	740.32	744.31	749.71 (3/9)	645.87 (26/4)	749.71 (3/9/93)	54.87 (31/10/72)

	Sep 10	Sep 3	Aug 27	year ago (approx.)
Dow Industrial Div. Yield	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

NEW YORK ACTIVE STOCKS [illegible] — TRADING ACTIVITY [illegible]

CANADA — TORONTO [illegible]

AUSTRALIA, AUSTRIA, BELGIUM, DENMARK, FINLAND, FRANCE, GERMANY, HONG KONG, IRELAND, ITALY, JAPAN, MALAYSIA, MEXICO, NETHERLANDS, NEW ZEALAND, NORWAY, PHILIPPINES, SINGAPORE, SOUTH AFRICA, SOUTH KOREA, SPAIN, SWEDEN, SWITZERLAND, TAIWAN, THAILAND [illegible]

WORLD					
M.S. Capital Intl.(1/1/70) $	594.8*	598.6	598.9	600.7	605.2 [illegible]
Euro Top-100 (26/6/90)	1077.56	1079.08	1097.25	1093.08	1133.1[illegible]

** Saturday September 11: Taiwan Weighted Price 3874.85, Korea Comp Ex 698.61
♥ Subject to official recalculation.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, [illegible] 1,000, JSE Gold - 255.7, JSE 25 Industrials - 264.3 and Australia All Ordinary and Mining - 50[illegible]

TOKYO - Most Active Stocks

Thursday, September 16, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	5.3m	336	-10	Hitachi	2.6m	850	-20
Fujitsu Ltd	3.3m	807	-22	Takara Shuzo	2.5m	755	+6
Ricoh Co Ltd	3.0m	725	-33	NKK Corp	2.3m	262	-3
Mitsubishi Heavy	2.9m	687		Canon Inc	2.1m	1,440	
Nikkatsu	2.7m	25	-1	Mitsubishi T & B	2.1m	1,460	-30

4 pm close September 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
14 5/8	11 1/2	AAR Corp	0.48	3.7	49	72	13	12 7/8	12 7/8	
29 1/8	13 3/4	A L Labs A	0.18	1.0	37	64	18 7/8	18 1/2	18 7/8	
68 1/8	54 5/8	AMP Inc	1.60	2.5	23	1133	65 5/8	65	65 1/8	-1/4
72 3/4	55 1/2	AMR			16	2601	64 3/4	64 1/4	64 3/4	+1/4
3 1/2	1 5/8	ARX			12	277	3 3/8	3 1/4	3 3/8	-1/8
51 1/2	29 7/8	ASA	2.00	4.8	27	727	41 5/8	40 5/8	41 5/8	+1 1/8
30 3/4	22 5/8	Abbott Lab	0.68	2.6	18	6121	26 7/8	26 1/2	26 1/2	-1/2
12 5/8	9 1/4	Abitibi Pr	0.50	5.3	4	3	9 5/8	9 5/8	9 5/8	+1/8
15 1/4	8 1/4	[illegible]			44	177	14 1/4	14 1/8	14 1/4	+1/8
36	25 1/2	ACE Ltd	0.40	1.2		628	33 7/8	33 5/8	33 5/8	-1/8
12	10 3/4	ACM Gvt In x	0.96	8.6		170	11 1/8	11	11 1/8	
10	9 1/8	ACM GvOpp x	0.80	8.3		102	9 3/4	9 5/8	9 5/8	
9 7/8	8 3/4	ACM Gvt Sp	0.80	8.4		214	9 1/2	9 3/8	9 1/2	+1/8
11 5/8	10 1/2	ACM Gvt Se	0.96	8.6		964	11 1/8	11	11 1/8	
11 7/8	9 5/8	ACM Man x	1.08	9.6		98	d11 5/8	11 3/8	11 3/8	-1/8
9 7/8	8 5/8	ACM Managd x	0.72	7.9		167	u9 3/8	9 1/8	9 1/8	-1/8
12 3/8	7 3/4	Acme Cleve	0.44	4.6	12	14	9 3/4	9 1/2	9 1/2	-1/4
9 1/4	6 1/2	Acme Elect			49	2	7	7	7	
27 5/8	18 5/8	Acordia	0.44	1.6	15	23	27	26 7/8	27	+1/4
16	10 3/8	Acuson			31	882	11 1/2	11	11 1/4	-1/4
21 3/4	19	Adams Expr	0.48	2.5	0	114	19 3/8	19 1/4	19 1/4	-1/8
66 1/4	45 1/2	Ad Micro	3.00	5.0		472	60 1/4	59	60 1/4	+1 1/2
32 3/4	17 5/8	Ad Micro P	3.00	10.4	11	7992	28 3/4	28	28 3/4	+1
7 3/4	6 1/2	Advest Grp	0.16	2.2	12	288	7 1/8	7	7 1/8	+1/4
24 3/4	16	Advo Inc	0.08	0.5	18	11	16 7/8	16 5/8	16 7/8	+1/4
50 1/8	41 1/8	Aegon ADR	1.23	2.5	10	107	49 3/8	49	49 3/8	
60 1/2	43 3/8	Aetna Lf	2.76	4.7	41	2230	59 1/4	58 3/4	59 1/8	-1/8
14 1/2	11 1/2	AMI A	0.26	1.9	29	1184	14	13 3/4	14	+1/4
34	26 3/8	Aflac	0.40	1.3	15	1636	31 1/4	30 5/8	31 1/8	+3/4
22 1/8	16 1/4	Ahmanson	0.88	4.5	8	336	20	19 3/4	19 3/4	-1/4

Continued on next page

4 pm close September 16

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
22	15½	S Anita Rt	1.36	7.5	16	205	18⅛	17⅞	18⅛	+¼
20¾	14⅞	SCOR US Cp	0.32	2.0	198	96	15¾	15⅝	15¾	-¼
29¾	20	SPS Techno	1.28	4.8	19	27	26⅞	26⅝	26⅞	+¼
15	12⅞	Sabine Rt x	1.74	11.6	10	139	x15¼	15	15	
13¾	8⅞	Safecard	0.20	1.6	12	32	12¾	12¾	12¾	-⅛
23½	16⅞	Safeg'd Sc			9	6	21	20¾	20¾	-⅛
24¾	14⅜	SafetyKln x	0.36	2.3	24	1409	16	15½	15⅝	-⅜
19¼	10⅞	Safeway			29	569	19	18⅝	18⅞	+¼
4¼	2	SafewayWBS				30	4⅛	4⅛	4⅛	+⅛
55	37½	StJoePaper	0.20	0.4	138	119	47¾	47⅛	47⅛	-⅜
37⅞	31	StJosL&P	1.76	4.7	16	4	37½	37¼	37¼	-⅛
94	75	St Paul's	2.80	3.0	15	251	93¼	92⅜	92⅜	-⅞
11⅞	7⅞	Salant Crp			4	10	8¼	8¼	8¼	-⅛
75¾	39⅞	Sallie Mae	1.20	2.7	9	1904	45⅜	44¾	45	
14¾	13	Salomon Br	0.32	2.3		244	13⅞	13¾	13¾	-⅛
51⅞	34	Salomoninc	0.64	1.2	12	2302	51½	50⅞	51¼	+⅝
27¾	23¼	SanDgo G&E	1.48	5.6	14	758	26⅞	26½	26½	-⅜
5	3½	SantaFeEDu	0.40	8.0	50	295	u5	4⅞	5	+⅛
11⅞	9⅛	SantaFeERs	0.16	1.6	500	2816	10⅛	10	10	
40¾	35¾	SantaFePac	2.80	7.2	13	80	39	38⅝	38⅝	-¼
19	12¾	SantaFPac	0.10	0.5	12	1270	18⅜	18	18⅜	+⅜
31⅛	21	Sara Lee	0.58	2.3	17	5934	25⅞	24⅞	25	-⅞
51⅞	40⅛	Scana Corp	2.74	5.3	15	239	51¼	51	51¼	+⅛
25¾	21½	Scecorp	1.42	5.7	15	3802	25¼	25	25⅛	-¼
38⅞	23⅞	SchererRP			24	212	29⅞	29½	29¾	-⅛
70⅞	51¾	ScheringPl	1.80	2.9	16	2195	62⅞	61⅞	61⅞	-¾
68⅞	21⅜	Schl'berger	1.20	1.9	24	4254	65	63½	63⅝	-1½
34	16½	Schwab(C)	0.20	0.6	19	398	32½	31⅞	32¼	+¼
7¾	5⅝	Schwitzer			42	47	7⅜	7⅛	7⅛	
37⅞	17¾	ScientAtln	0.12	0.3	54	1674	36	35¼	35¾	-¼
13⅞	9⅛	Scotman	0.10	0.8	13	20	13¼	13⅛	13¼	-⅛
41	31	ScottPaper	0.80	2.4	20	1258	33½	32⅝	33¼	+⅛
23⅛	14¼	ScudderNAsF	0.21	1.0		91	22¼	22	22	-⅛
11⅛	7½	ScudderNEsF	0.16	1.6		66	10⅛	10	10⅛	-⅛
31½	18¾	SeaContB	0.70	3.6	6	20	19¾	19¾	19¾	+⅛
16⅝	15	SeaC1.4625	1.46	8.9		7	16½	16¼	16½	+¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- T -

- U -

- V -

- W -

- X - Y - Z -

AMEX COMPOSITE PRICES

4 pm close September 16

NASDAQ NATIONAL MARKET

4 pm close September 16

FINANCIAL TIMES

Friday September 17 1993

AMERICA

Economic news checks rally by US stocks

Wall Street

US stock markets failed to build on Wednesday's late rally yesterday morning, as share prices edged lower across the board in subdued trading, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down 8.95 at 3,624.70. The more broadly based Standard & Poor's 500 was 2.25 lower at 459.35, while the Amex composite was down 0.24 at 453.50, and the Nasdaq composite down 0.73 at 738.82. Trading volume on the NYSE was 128m shares by 1 pm.

Share prices rebounded strongly on Wednesday afternoon as buyers moved into the market in the wake of heavy losses. However, there was no follow through from that late rally yesterday, and prices dropped from the opening. Sentiment was not helped by the day's economic news. Industrial production rose only 0.2 per cent in August, weekly jobless claims rose by 2,000, and the July trade deficit narrowed slightly as both export and import sales weakened.

The data painted a picture of an economy still struggling to achieve anything more than very modest rates of growth. Stocks were not helped by the bond market, which posted fresh declines after an upbeat opening. Analysts said that investors continue to believe that the correction in both stock and bond markets is far from complete.

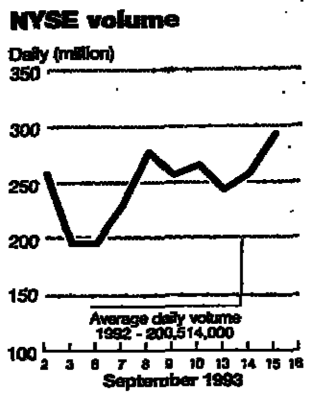
Among individual sectors, gold stocks were one of the few bright spots, thanks to a rebound in gold prices. Newmont Mining rose $1 to $46¾, Newmont Gold put on $⅝ at $40¾ and Battle Mountain Gold added $¾ at $7¾. Placer Dome, meanwhile, rose $1⅝ to $18⅝ in volume of 1.3m shares after the company estimated that 4.8m ounces of gold may lie within its 70 per cent-owned Venezuelan property.

Drug stocks were weaker as a group, with Schering-Plough down $¾ at $62¾, Merck off $⅝ at $31¾, Pfizer $¾ lower at $60¾ and Bristol Myers-Squibb down $¾ at $57¾.

Shares in Wang Laboratories, the computer group currently in Chapter 11 bankruptcy, dropped $⅝ to $⅜ in heavy trading on reports that under its soon-to-be-announced financial restructuring the company's stock will be cancelled and replaced with warrants that give the shares a value close to zero.

Showboat jumped $3¾ to $19 after brokerage house Oppenheimer initiated coverage of the stock with a buy rating, and forecasting strong earnings for the next two years.

Sealed Power Replacement climbed $1¼ to $17¾ on the news that it is being acquired by Federal-Mogul for $150m in cash and bank debt.



Canada

TORONTO remained buoyant in active midday dealings with renewed strength in gold issues spurred by rebounding precious metals prices.

The TSE 300 rose 19.26 to 3,987.15 at noon in turnover of C$376.9m. Advancing issues outpaced decliners 344 to 244, with 264 stocks unchanged.

The gold and silver index gained 318.40 to 8,330.05.

EUROPE

Daimler slips ahead of interim results

TECHNICAL trading dominated activity yesterday, *writes Our Markets Staff.*

FRANKFURT was moderately lower ahead of today's options expiry and the DAX index slipped 4.72 to 1,855.67. Turnover was estimated at DM5.8bn.

Daimler, which is scheduled to release interim figures this morning, fell DM6.30 to DM702.50 in expectation of weak data.

However, Bank Julius Bär, in a recent note on the car sector, commented that because of restructuring measures, which will lead to "sharply rising earnings in 1994, we see the greatest turn around potential for VW and Daimler". Volkswagen was off DM1.50 at DM349.

Viag went against the trend with a rise of DM5 to DM435.00 after announcing the terms of its forthcoming capital increase.

AMSTERDAM, also affected by options expiry today, was slightly stronger as shares recovered some of Wednesday's losses. The CBS Tendency index advanced 1.2 or 1 per cent to 123.6.

Ahold recorded a gain of Fl 1.60 to Fl 88.60 after announcing details of a share split ahead of its proposed listing in New York.

PARIS settled back slightly, the CAC-40 index off just 2.87 at 2,075.64 in turnover of FFr3.8bn.

Chargeurs came off FFr16 to FFr1,135 following the release of its interim figures after the close of trading on Wednesday which disappointed analysts.

James Capel yesterday downgraded Thomson-CSF to a sell on the worsening outlook for Crédit Lyonnais, in which Thomson has a 22 per cent stake. Capel's forecast that Thomson will cut its dividend for the second year in a row, suffer as a result of losses at Crédit Lyonnais and see 1993 earnings possibly fall "to a lower level than in any year since 1984". Thomson was unchanged yesterday at FFr165 while the bank's CI's lost FFr12 to FFr688.

MILAN saw one of its recent fears come true as Italmobiliare, the industrial holding company, announced that it was launching a three-prong capital increase involving a three-for-10 stock offer, plus warrants and convertible bonds.

Worries about an impending rush of rights issues have overhung the market and the Comit index responded to yesterday's unexpected announcement with a 14.89 or 2.4 per cent fall to 596.15.

Italmobiliare shed L1,843 or 4.3 per cent to L41,300, while Fiat was L212 or 3.4 per cent lower at L5,981 as recent worries were rekindled that it might also be planning an issue, speculation that it has denied.

Ms Deborah Rees of Smith New Court said there was concern that the market would not be able to digest a rash of issues if companies were prompted to launch capital raising exercises ahead of the government's privatisation programme. She added that some estimates forecast that the government aimed to raise up to L38,000bn from privatisations in 1994, which compared with L8,000bn of Italian equities currently held in Italian mutual funds.

Ferruzzi again traded limit down, losing L32.50 or 10 per cent to L294.20 in the wake of Wednesday's statement from Consob defending its decision not to suspend trading in the shares.

ZURICH shadowed the dollar and initially easier prices firmed as the US currency rose, leaving the SMI index to close 12.6 higher at 2,374.4.

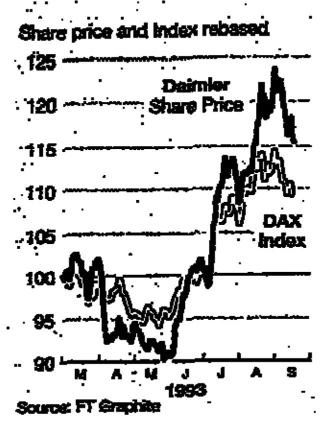
Nestlé, which traded as low as SFr1,039 in early business, finished SFr17 ahead at SFr1,158, while UBS bearers added SFr20 to SFr1,153.

STOCKHOLM saw a late rally lift some prices, with Ericsson B shares adding SKr3 to SKr400. The Affärsvärlden general index fell 6.1 to 1,289.6 in turnover of SKr1.4bn.

Volvo B retreated further, off SKr5 to SKr417.

ISTANBUL finished at a second straight record high in active trading, mostly focused on blue chips and banking shares. The composite index rose 300.5 or 1.45 per cent to 14,026.6 for a gain on the week of 8.32 per cent.

Rising demand for Eregli, the steel group, helped the market ahead and the share rose TL300 or 9.6 per cent to TL3,400.



Source: FT Graphite

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

September 16 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1259.09	1256.88	1256.76	1255.04	1253.10	1251.63	1257.47	1257.07
FT-SE Eurotrack 200	1337.21	1335.20	1335.11	1334.64	1333.19	1332.90	1335.40	1335.67

	Sep 15	Sep 14	Sep 13	Sep 10	Sep 9
FT-SE Eurotrack 100	1260.47	1279.94	1276.64	1263.72	1265.95
FT-SE Eurotrack 200	1337.35	1357.12	1351.64	1355.64	1362.52

Base value 1000 (26/10/90) High/day: 100 - 1259.09; 200 - 1338.11 Low/day: 100 - 1250.88 200 - 1330.76.

European turnover continues to advance

The holiday season failed to dampen enthusiasm in August, says Michael Morgan

European bourses saw turnover rise for the third successive month in August, although the pace of increase slowed as the holiday season got under way, after the strong advances of the previous two months.

Volume rose by 5 per cent from July levels after the month-on-month increases of 20.8 per cent in July and 20.3 per cent in June.

Mr James Cornish of NatWest Securities, which produces the turnover figures, notes that the rise in August accompanied a 6.3 per cent advance in the FT-A Europe index during the month, with only share market indices for Belgium showing a decline.

"The biggest gainers in turnover were the markets with the steepest growth in the local index, propelled by hopes of an accelerating fall in interest rates following the EMS crisis at the beginning of the month," he says.

However, he notes that turnover on Seaq International, the London screen-based trading system, increased by only 2.7 per cent on the month for the seven continental European markets, indicating relatively greater interest by domestic investors in trading in their local markets.

Italy made the biggest gain in August, with turnover up by 32.8 per cent to a record level, in spite of the unravelling political scandal. This represented a 64.9 per cent increase over the average for the previous three months for a market which saw a 12.1 per cent rise in local market stock indices over the month.

Mr Michele Pacitti of NatWest Securities notes that daily trading turnover had topped L600bn throughout much of the month, compared with last year's unusually low level of less than L100bn, when the country was beset by worries about a burgeoning budget deficit.

This year, there had been a marked improvement in foreign demand as the economic outlook had improved on the back of interest rates that had fallen from 15 per cent to 8½ per cent.

The government's privatisation programme had also provoked much interest, since it was an indication of the administration's determination to tackle its budget deficit difficulties, and it also showed that the country was serious about tackling inefficiency and low productivity in industry.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	May 1993	Jun 1993	Jul 1993	Aug 1993	US $bn
Belgium	40.98	50.65	59.86	64.52	1.80
France	122.95	154.32	151.18	176.99	30.20
Germany	104.40	131.80	188.75	184.40	109.96
Italy	19,685.6	30,864.8	35,687.2	47,394	29.59
Netherlands	15.70	16.90	21.60	23.60	12.52
Spain	1,116.74	844.84	806.04	959.64	7.12
Switzerland	16.70	24.80	26.90	24.50	16.55
UK	40.62	41.86	45.99	50.90	75.69

Volumes represent purchases and sales.
Italian data adjusted to include off-market trading. Some figures may be revised.
Source: NatWest Securities

Spain saw the second largest increase in turnover, up 19.1 per cent from July and 4 per cent above the average of the previous three months. But turnover was well below the record level set in May. The market index, meanwhile, rose 12.3 per cent to an all-time peak, activity spurred by recurring hopes throughout the month for lower interest rates.

Continuing expectations of lower rates also underpinned France, where turnover climbed by 17.1 per cent on the month as the local market index advanced 7.3 per cent to an historic high. The rise on the month took volume 23.5 per cent higher than the average of the previous three months.

UK turnover expanded by 10.7 per cent to a level not seen since October 1987, the month in which the Black Monday market crash occurred. German turnover fell by 2.3 per cent after its 43.2 per cent rise in July, while Swiss turnover was down 8.9 per cent on the month as the market continued to underperform Europe.

ASIA PACIFIC

Pessimism over economic package depresses Nikkei

Tokyo

PESSIMISM over the effects of the government's economic emergency package depressed sentiment, and the Nikkei average lost 2.1 per cent on profit-taking and arbitrage unwinding, *writes Emiko Terazono in Tokyo.*

The 225-issue average fell 445.64 to 20,502.15 as investors sold ahead of the economic package's release after the market closed.

The Nikkei opened at the day's high of 20,938.69 but weakened as doubts over the package mounted. The index dropped to the day's low of 20,501.95 just before the close.

Volume totalled 261.2m shares, against 305m on Wednesday. Declines overwhelmed advances by 867 to 173, with 137 issues unchanged. The Topix index of all first section stocks retreated 23.24 to 1,657.09. In London the ISE/Nikkei 50 index eased 0.03 to 1,268.82.

Investors focused on gloomy news regarding the economy, and were discouraged by the annualised 2 per cent negative growth of GNP during the April-June quarter, announced on Tuesday.

Speculation that the emergency package lacked measures which would have an immediate effect on the economy also disappointed market participants.

Meanwhile, some institutional investors liquidated their portfolios to boost profits ahead of the September book closing, while the fall in stocks prompted margin liquidation by individuals.

Profit-taking hit steels. Nippon Steel, the most active issue of the day, fell Y10 to Y336 and NKK lost Y3 to Y282.

Banks were lower on index-linked selling. Industrial Bank of Japan weakened Y30 to Y3,460, Sumitomo Bank Y60 to Y2,270 and Mitsubishi Trust and Banking Y30 to Y1,460.

Nippon Telegraph and Telephone, which had been higher on hopes about government investment in telecommunication infrastructure, shed Y15,000 to Y891,000. The stock fell below the Y900,000 level for the first time since July 28, as the likelihood that the project would be included in the package diminished.

Electric power companies lost ground in spite of the higher yen. The emergency package is expected to include measures to pass on the benefits of the high yen to consumers through a reduction of electricity and gas prices. Tokyo Electric Power slipped Y60 to Y3,420 and Kansai Electric Power Y50 to Y2,850.

Shochiku, the movie production and distribution company, was one of the few bright spots of the day, rising Y20 to Y1,280 on reports that it would team up with Sega Enterprises, the video game company, to develop new multimedia software.

In Osaka, the OSE average receded 248.06 to 22,715.91 in volume of 80.6m shares.

Roundup

THE LARGER markets on the Pacific Rim weakened yesterday.

HONG KONG fell sharply on disappointment over the latest round of Sino-British talks.

The Hang Seng index dropped 70.66 to 7,418.11, finishing just 10 points above the day's low. Turnover was HK$2.9bn.

Among blue chips, HSBC declined HK$1 to HK$81. Hutchison Whampoa lost 30 cents to HK$23.10 and Jardine Matheson shed HK$1.50 to HK$62. Brokers said property issues were hit hard on the uncertain outlook for real estate. Cheung Kong fell 30 cents to HK$27, HK Land dipped 30 cents to HK$17.10 and Sun Hung Kai Properties was down 25 cents at HK$38.25.

SEOUL declined for the third consecutive session in a day of lacklustre trading and the composite stock index finished 5.05 down at 686.29 in turnover of Won205.2bn.

TAIWAN continued to fall back but closed off its intraday low. The weighted index, which had dropped more than 40 points at one stage, closed a net 17.09 off at 3,765.01, its lowest finish since February 11. Turnover was T$11.3bn.

MANILA advanced on heavy buying of blue chips and secondary issues and renewed interest in mines. The composite index rose 23.57 to 1,975.73. Turnover shrank to 593.8m pesos from Wednesday's 1.4bn pesos. Rises outscored falls by 84 to 22.

AUSTRALIA remained weak, but with attention concentrated on Amcor, up 35 cents, or 4 per cent, at A$9.24, following its announcement on Monday that it is to buy the paper manufacturing and distribution assets of North Broken Hill Peko for A$415m.

The All Ordinaries index closed 1.0 lower on balance at 1,902.6, after opening 6.8 up.

Turnover amounted to A$373.3m as the golds index jumped 52.4 to 1,796.2 after bullion prices improved.

SOUTH AFRICA

GOLD shares closed higher, although dealers remained nervous about the future direction of the bullion price. The golds index added 68 at 1,658 as industrials shed 22 to 4,532. The overall index was up 4 at 3,862.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	WEDNESDAY SEPTEMBER 15 1993: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY SEPTEMBER 14 1993: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1993 High	1993 Low	Year ago (approx)
Australia (69)	139.24	−0.1	133.06	93.52	115.32	143.04	−0.5	3.60	139.32	133.57	93.18	116.37	143.82	148.84	117.39	130.14
Austria (17)	175.75	+0.1	167.94	118.04	145.56	144.94	−1.3	1.07	175.50	168.25	117.37	146.58	146.89	180.43	131.16	153.44
Belgium (42)	152.92	+1.0	146.13	102.70	126.65	128.78	+0.0	4.45	151.38	145.12	101.23	126.43	128.79	156.78	131.19	138.66
Canada (107)	123.97	+0.4	118.47	83.26	102.67	117.83	−0.3	2.88	123.50	118.39	82.59	103.14	118.18	130.38	111.41	125.15
Denmark (32)	230.01	−0.2	219.80	154.48	190.49	204.52	−1.1	1.11	230.54	221.01	154.16	192.55	206.86	232.42	185.11	196.78
Finland (23)	109.87	+0.6	104.99	73.79	90.99	130.91	+0.1	0.80	109.24	104.72	73.06	91.24	130.79	118.56	65.50	52.92
France (97)	169.24	−1.4	161.72	113.66	140.15	147.54	−2.2	3.13	171.69	164.59	114.81	143.38	150.88	171.69	142.72	158.22
Germany (60)	127.24	−0.1	121.58	85.47	105.37	105.37	−0.9	2.00	127.30	122.04	85.15	106.32	106.32	128.77	101.59	111.97
Hong Kong (55)	296.41	+0.1	283.24	199.07	245.49	294.37	+0.1	3.37	296.09	283.86	198.02	247.31	294.02	302.14	218.82	232.24
Ireland (14)	171.63	−0.3	164.01	115.27	142.15	166.21	−0.7	3.37	172.12	165.01	115.11	143.76	167.32	173.06	129.28	145.54
Italy (70)	77.46	−1.2	74.02	52.02	64.15	88.80	−1.3	1.84	78.41	75.17	52.44	65.49	89.95	78.93	53.78	49.25
Japan (470)	156.96	−0.4	149.99	105.42	130.01	105.42	+0.0	0.78	157.63	151.11	105.42	131.67	105.42	165.91	100.75	109.24
Malaysia (69)	397.36	−0.9	379.71	266.87	329.08	389.33	−0.8	1.77	401.12	384.54	268.25	335.01	392.82	410.47	251.66	238.62
Mexico (19)	1700.23	−1.2	1624.71	1141.91	1408.12	5780.38	−1.3	0.85	1721.07	1649.94	1151.01	1437.48	5854.05	1771.56	1410.30	1243.19
Netherland (24)	183.71	−1.0	175.55	123.38	152.15	150.00	−1.8	3.64	185.54	177.88	124.08	154.97	152.81	187.18	150.39	158.68
New Zealand (13)	60.21	−1.0	57.54	40.44	49.87	57.90	−0.9	3.85	60.82	58.30	40.68	50.80	58.40	62.98	40.56	42.97
Norway (22)	176.33	−0.6	168.49	118.43	146.04	166.21	−1.3	1.69	177.44	170.10	118.67	148.20	168.34	177.44	137.71	138.51
Singapore (38)	288.01	+0.0	275.22	193.44	238.52	212.03	+0.0	1.62	287.90	276.01	192.55	240.46	212.01	290.53	207.04	188.81
South Africa (60)	183.14	+3.4	175.01	123.00	151.67	190.74	+1.0	2.74	177.08	169.76	118.42	147.90	188.78	215.29	144.72	182.02
Spain (43)	137.76	−1.8	131.64	92.52	114.09	133.84	−2.0	4.26	140.34	134.54	93.86	117.21	136.51	140.97	115.23	128.51
Sweden (36)	187.65	−1.2	179.32	126.03	155.42	218.90	−1.4	1.54	189.98	182.13	127.06	158.68	221.97	196.23	149.70	166.59
Switzerland (50)	137.63	−0.3	131.51	92.44	114.00	118.56	−0.8	1.83	137.98	132.28	92.28	115.26	119.54	138.04	108.91	114.91
United Kingdom (218)	188.97	−0.9	180.58	126.91	156.49	180.58	−1.2	3.95	190.73	182.85	127.55	159.29	182.85	191.70	162.00	169.19
USA (520)	188.58	+0.3	180.21	126.66	156.19	188.58	+0.3	2.72	187.94	180.18	125.70	156.98	187.94	189.40	175.38	171.22
Europe (748)	158.12	−0.8	151.09	106.20	130.96	144.35	−1.3	3.12	159.39	152.80	106.60	133.13	146.28	159.39	133.92	138.52
Nordic (113)	178.64	−0.7	170.70	119.98	147.95	181.37	−1.1	1.35	179.97	172.53	120.36	150.32	183.46	183.23	142.13	150.15
Pacific Basin (714)	160.96	−0.4	153.81	108.11	133.31	112.66	+0.0	1.05	161.60	154.92	108.08	134.97	112.70	168.80	105.69	112.75
Euro-Pacific (1462)	159.68	−0.6	152.59	107.24	132.24	125.81	−0.6	1.89	160.58	153.94	107.38	134.11	126.52	162.86	117.26	123.18
North America (627)	184.57	+0.3	176.38	123.98	152.89	183.79	+0.3	2.72	183.94	176.34	123.03	153.66	183.21	185.59	171.51	168.34
Europe Ex. UK (530)	138.50	−0.7	132.35	93.04	114.73	123.33	−1.4	2.57	139.50	133.74	93.31	116.54	125.04	139.50	112.51	119.63
Pacific Ex. Japan (244)	200.69	−0.2	191.78	134.81	166.23	187.52	−0.3	3.03	201.04	192.73	134.47	167.93	188.08	205.61	152.70	157.09
World Ex. US (1648)	159.65	−0.5	152.56	107.23	132.23	127.72	−0.5	1.92	160.44	153.81	107.31	134.01	128.41	162.89	118.51	124.52
World Ex. UK (1950)	166.29	−0.1	158.90	111.69	137.73	143.13	−0.1	2.03	166.46	159.58	111.33	139.04	143.28	168.50	134.22	136.48
World Ex. So. Af. (2108)	168.32	−0.2	160.84	113.06	139.41	146.15	−0.2	2.21	168.67	161.70	112.82	140.89	146.48	170.43	137.29	139.11
World Ex. Japan (1698)	176.31	−0.1	168.48	118.43	146.04	169.60	−0.3	2.86	176.44	169.15	118.01	147.39	170.12	177.11	157.47	157.07
The World Index (2168)	168.29	−0.2	160.81	113.03	139.39	146.56	−0.2	2.22	168.59	161.63	112.76	140.82	146.87	170.42	137.32	139.32

Amendments to indices for September 15 applied to Mexico, related regional indices and the World Index. Latest prices were unavailable for this edition.
Japanese market closed September 15.

VIEWPOINT — The Commerzbank report on German business and finance

A second chance for "Fortress Europe"?

The launch of the EC's Single Market at the start of this year represented a milestone in the economic integration of Western Europe. In the meantime, however, the strains created by both German unification and recession in Europe have confronted the Community with a serious dilemma. In view of structural weaknesses which impair competitiveness and a steady rise in unemployment, protectionist sentiment is gaining ground again.

Examples of this abound; they include the EC's new restrictions on imports of "dollar bananas", its conflict with the U.S. on public procurement (especially in telecommunications), the dispute over the Japanese car exporters' "voluntary restraint" agreement and the controversial ban on meat imports from Eastern Europe. Even though, as a recent GATT study showed, improved market transparency and a more uniform legal framework have made access to the EC market easier for third countries, fears of a "Fortress Europe" mentality are growing.

No clear-cut strategy

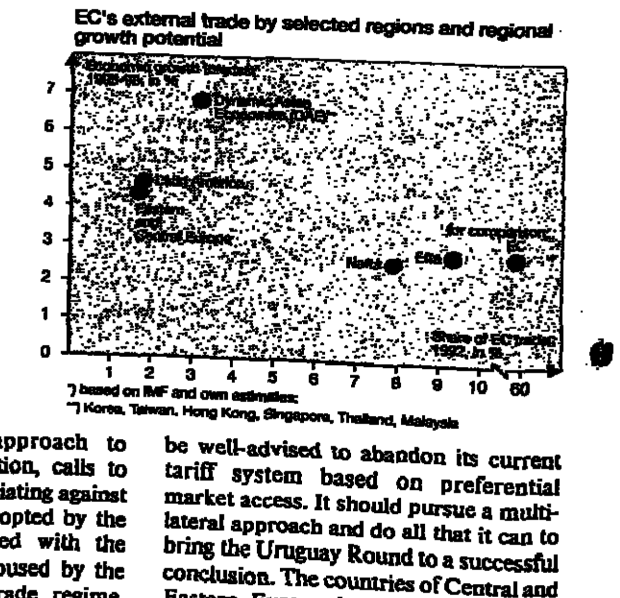
The EC's harmful Common Agricultural Policy and its anti-dumping measures – some 160 of which were in force at end-1992 – remain bones of contention with its external trading partners. The chemical, engineering and textile industries in particular have successfully protested to the EC Commission against "unfair" competition. As a result, temporary anti-dumping duties have been imposed. At the same time, as part of its system of general tariff preferences, the EC can set certain quotas and ceilings for imports from developing countries of what it considers sensitive goods – a category which is stretched to the very limit.

This underlines the fundamental weakness of the Community's largely "ad hoc" trade policy, which, lacking a clear-cut strategy, can easily be made to serve the wrong ends.

The EC Commission places the interests of individual member countries on a par with those of the Community as a whole, leaving the EC's taxpayers and consumers to pick up the bill in the form of higher prices and subsidies. What is more, many of the supposedly temporary trade restrictions have proved to be permanent. Consequently, plans by the EC Commission to increase its powers in this area are vigorously opposed by those EC members who take a more market-oriented approach to economic policy. In addition, calls to uphold "fair trade" by retaliating against the unilateral measures adopted by the U.S. cannot be reconciled with the principle – ostensibly espoused by the EC – of a global free-trade regime. Nor are they in the best interests of the Community itself.

"The regions with the greatest growth potential lie outside the EC."

EC's external trade by selected regions and regional growth potential



¹) based on IMF and own estimates; ²) Korea, Taiwan, Hong Kong, Singapore, Thailand, Malaysia

Unlike the members of Nafta and its Asia-Pacific counterparts, the EC countries already have a highly integrated common market, with stronger trade in services likely to provide the main impetus for growth. The entry of the four Efta applicants will not generate any marked expansion in trade, as their economies are already closely linked with those of the EC.

Thus, if its members wish to boost their exports significantly, they will have to look beyond the EC's borders. Indeed, the regions with the greatest growth potential lie outside the EC. For this reason, the European Community would be well-advised to abandon its current tariff system based on preferential market access. It should pursue a multilateral approach and do all that it can to bring the Uruguay Round to a successful conclusion. The countries of Central and Eastern Europe in particular urgently need a radical opening-up of the EC's markets.